lit. hist. v. 14.

A

LETTER

FROM

GOVERNOR POWNALL

TO

ADAM SMITH, L. L. D. F. R. S.

BEING AN

EXAMINATION OF SEVERAL POINTS OF DOCTRINE,

LAID DOWN IN HIS

"INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS."

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G.R. III.

A

LETTER, &c.

SIR,

WHEN I firſt ſaw the plan and ſuperſtructure of your very ingenious and very learned Treatiſe on the Wealth of Nations, it gave me a compleat idea of that ſyſtem, which I had long wiſhed to ſee the publick in poſſeſſion of. A ſyſtem, that might fix ſome firſt principles in the moſt important of ſciences, the knowledge of the human community, and its operations. That might become *principia* to the knowledge of politick operations; as Mathematicks are to Mechanicks, Aſtronomy, and the other Sciences.

Early in my life I had begun an analyſis, of *thoſe laws of motion* (if I may ſo expreſs myſelf) which are the ſource of, and give direction to, the labour of man in the individual; which form that reciprocation of wants and intercommunion of mutual ſupply that becomes *the creating cauſe of community*; which give energy, motion, and [illegible] to the compound labour and operations of that community, *which is government*; which give ſource to trade and commerce, and are the forming cauſes of the inſtrument of it, *money*; of the effect of it in operation, an *influx of riches*, and of the final effect, *wealth and power*. The fate of that life called me off from ſtudy. I have however at times (never totally loſing ſight of it) endeavoured to reſume this inveſtigation; but fearing that the want of exerciſe and habit in thoſe intellectual exertions may have rendered me unequal to the attempt, I am extremely happy to find this executed by abilities ſuperior to what I can pretend to, and to a point beyond that which the utmoſt range of my ſhot could have attained. Not having any perſonal knowledge of the author, or of the port which I now underſtand he bears in the learned world, I read your book without prejudice.—I ſaw it deſerved a more cloſe and attentive application, than the ſeaſon of buſineſs would allow me to give to it; I have ſince in the retreat of ſummer ſtudied it: you have, I find, by a truly philoſophic and patient analyſis, endeavoured to inveſtigate *analitically* thoſe principles, by which nature firſt moves and then conducts the operations of man in the individual, and in community: And then, next, by application of theſe principles to fact, experience, and the inſtitutions of men, you have endeavoured to deduce *ſynthe-*

tically,

tically, by the moſt preciſe and meaſured ſteps of demonſtration, thoſe important doctrines of practice, which your very ſcientifick and learned book offers to the conſideration of the world of buſineſs.

Viewing your book in this light, yet ſeeing, as my reaſoning leads me to conceive, ſome deviations which have miſled your analyſis, ſome aberrations from the exact line of demonſtration in the deductive part; and conſidering any errors in a work of that authority, which the learning and knowledge that abounds in yours muſt always give, as the moſt dangerous, and the more ſo, as they tend to mix themſelves in with the reaſoning and conduct of men, not of ſpeculation, but of buſineſs—I have taken the liberty, by ſtating my doubts to you in this Letter, to recommend a reviſion of thoſe parts which I think exceptionable.

If theſe doubts ſhould appear to you to contain any matter of real objection, I ſhould hope thoſe parts might be corrected, or that the bad conſequences of thoſe poſitions, which I conceive to be dangerous, may be obviated. When I firſt wrote theſe obſervations, I meant to have ſent them to you, by the interpoſition of a common friend, in a private letter; but, as I think theſe ſubjects deſerve a fair, full, and publick diſcuſſion, and as there are now in the world of buſineſs many very ingenious men, who have turned their minds to theſe ſpeculations, the making this publick may perhaps excite their ingenuity, and thus become the means of eliciting truth in the moſt important of all ſciences. It may animate even your ſpirit of inquiry, and lead to further reſearches. It is not in the ſpirit of controverſy, which I both deteſt and deſpiſe. but in that of fair diſcuſſion that I addreſs this to you.

When, in your inveſtigation of thoſe ſprings, which give motion, direction, and diviſion to labour *—you ſtate "*a propenſity to barter;*" as the cauſe of this diviſion: when you † ſay, "that it is that trucking buſineſs which *originally* "gives occaſion to the diviſion of labour;" I think you have ſtopped ſhort in your analyſis before you have arrived at the firſt natural cauſe and principle of the diviſion of labour. You do indeed ‡ doubt, "whether this propenſity "be one of thoſe *original principles* in human nature, of which no farther ac- "count can be given; or whether, as ſeems more probable, it be the neceſ- "ſary conſequence of the faculties of reaſon and ſpeech." Before a man can have the propenſity to barter, he muſt have acquired ſomewhat, which he does not want himſelf, and muſt feel, that there is ſomething which he does want, that another perſon has in his way acquired; a man has not a propenſity to acquire, eſpecially by labour, either the thing which he does not want, or more than he wants, even of neceſſaries; and yet nature ſo works in him, he is ſo made, that his labour, in the ordinary courſe of it, furniſhes him in the line in which he labours, with more than he wants; but while his labour is confined in that particular line, he is deprived of the opportunity to ſupply himſelf

* B. I. C. II. † P. 18. ‡ P. 16.

himſelf with ſome other articles equally neceſſary to him, as that which he is in the act of acquiring. As it is with one man, ſo is it with the next, with every individual, and with all. Nature has ſo formed us, as that the labour of each muſt take one ſpecial direction, in preference to, and to the excluſion of ſome other equally neceſſary line of labour, by which direction of his labour, he will be but partially and imperfectly ſupplied. Yet while each take a different line of labour, the channels of all are abundantly ſupplied.

Man's wants and deſires require to be ſupplied through many channels; his labour will more than ſupply him in ſome one or more; but through the limitation and the defined direction of his capacities he cannot actuate them all. This limitation, however, of his capacities, and the extent of his wants, neceſſarily creates to each man an accumulation of ſome articles of ſupply, and a defect of others, and is the original principle of his nature, which creates, by a reciprocation of wants, the neceſſity of an intercommunion of mutual ſupplies; this is the forming cauſe, not only of the diviſion of labour, but the efficient cauſe of that community, which is the baſis and origin of civil government; for, by neceſſarily creating an inequality of accumulation, and a conſequential ſubordination of claſſes and orders of men, it puts the community under that form, and that organization of powers, which is government. It is this principle, which, operating by a reciprocation of wants in nature, as well as in man, becomes alſo the ſource to that intercommunion of ſupplies, which barter, trade, and general commerce, in the progreſs of ſociety, give. It is not in the voluntary deſires, much leſs in a capricious "*propenſity to barter*," that this firſt principle of community reſides; it is not a conſequence of ſpeech actuating this propenſity, it is interwoven with the eſſence of our nature, and is there in the progreſs of, and as part of that nature, the creating and efficient cauſe of government; of government as *the true ſtate of nature* to man, not as an artificial ſuccedaneum to an imagined theoretic ſtate of nature.

The purſuing of the Analyſis up to this *firſt principle*, does not immediately, I agree with you, "belong to the ſubject of your inquiries;" for the doctrine contained in the ſecond chapter of your firſt book, ſeems only noted *en paſſant*, but is no where, either in the courſe of your Analyſis, uſed, nor applied in the ſubſequent explications. But as ſome thirty years ago, I had made this Analyſis of the * *Principles of Polity*; and as I have, in the practical adminiſtration of the powers of government, found, that thoſe powers on one hand do, as from the trueſt ſource, derive from theſe principles of nature, and

* A little Treatiſe which I wrote when I was very young, and which is very imperfect and incorrect in its manner and compoſition; but ſuch in the matter and reaſoning, as frequent reviſion and application of the principles to matters in fact, have confirmed me in the conviction of as true, although different from the common train of reaſoning in thoſe who follow Mr. Locke's phraſes rather than his arguments.

that

that the liberties of mankind are moſt ſafely eſtabliſhed on them: and as I think that great danger may ariſe to both, in deriving the ſource of community and government from paſſions or caprice, creating by will an artificial ſuccedaneum to nature, I could not but in the ſame manner, *en paſſant*, make this curſory remark.

Having eſtabliſhed and defined this firſt operation of man in community, that of *barter*, you proceed to conſider the *natural rules* by which this is conducted; what it is which gives *value*; what it is which *meaſures* the relative or *comparative value*, and hence the doctrine of *price:* and by the intervention of theſe, *the introduction of money and coin.* As in the former doctrine, I thought you had not purſued the analyſis to the real ſources of nature; ſo here, on the contrary, I think you have ſtretched your doctrine beyond the garb of nature. Some of your more refined doctrines have rather ſubtiliſed ideas, as they lie in your mind, than analiſed thoſe diſtinctions which lie in nature. On the firſt reading the eight firſt chapters of your firſt book, in which theſe matters are treated of, before I came to the uſe and application of your doctrines in the explication of practice and buſineſs, I began to apprehend, that ſome dangerous conſequences in practice might be deduced from theory, inſtead of thoſe ſound and beneficial doctrines which derive through experience, by a true analyſis of nature and her principles. I thought I ſaw, that many miſchievous impertinent meddlings might take riſe from a diſtinction between *a natural* and *a market price*. As I had been uſed to hold that only to be the meaſure of exchangeable value, which the world generally takes and uſes as ſuch, money formed of the precious metals: I could not but apprehend, that many extenſively dangerous practices might ariſe from your laying aſide, in your Analyſis of Money, the idea of its being A DEPOSIT. I ſaw, that that *theory in metaphyſicks*, led to a deſtructive *practice in phyſicks*; to the practice of creating a *circulation of paper*, and of calling ſuch circulation, money; and of introducing it as ſuch. In your doctrine, that "labour is the meaſure of "exchangeable value of all commodities," connected with your mode of explanation of the wages of labour, the profit of ſtock, the rent of land, and the effect of the progreſs of improvements, I thought I ſaw great danger, that Theory, in the pride of rectitude, might harden its heart againſt the real, though relative, diſtreſſes, which the labourer and the landed gentry of a country do ſuffer, and are oppreſſed by, *during the progreſs* of improvement, in conſequence of a *continuing influx of riches*; and might therefore depreciate, or even endeavour to obſtruct, all thoſe current remedies which give comfort and relief to theſe diſtreſſes, and alleviate even thoſe which cannot be remedied.

Although * the demand for thoſe who live by wages muſt naturally increaſe with the increaſe of national wealth; and conſequently the price of wages riſe in proportion to the riſe of every thing elſe; ſo as that the labourer will in the end

* Pag. 85.

end partake of the general riches and happineſs of the publick. Although * the riſe in the price of all produce is in the end no calamity, but the *forerunner* of every publick advantage: Yet as thoſe prices do *forerun*, and muſt, during the progreſs of improvement, *always forerun*; wages and rent muſt always continue *at an under-value* in the compariſon. They will indeed riſe alſo, but as this foreruns, they can only follow, *ſed non paſſibus æquis*. The labourer, and he who lives on rent, therefore, muſt always, though improving, be unable to improve ſo faſt as to emerge from a continued diſtreſs: if this diſtinction, that a flowing encreaſe of wealth, although it is the forerunner of every advantage to the publick in general, and *in the end* to every individual, yet is the continuing cauſe to the continued diſtreſs of the labourer, and of him who lives by rent, is not carefully attended to. If the ſtate of the circumſtances of diſtreſs, which continues to oppreſs thoſe claſſes of the community, are not conſtantly adverted to with feeling, and with exertions of precaution and benevolence, we ſhall, in the triumph of our general proſperity, be the conſtant oppreſſors of thoſe who have the beſt title to ſhare in this proſperity.

Under theſe ideas and apprehenſions I did very carefully and repeatedly, before I proceeded to the applied doctrines contained in the latter book, reviſe the analytic part of the former. When I came to the doctrines applied to practice, and the buſineſſes of the world, I found that my cautions had not been unneceſſary, and that my apprehenſions, that ſome ſuch conſequences might be drawn from it, were grounded: I found alſo what I did not from the principles expect (nor as yet do I ſee how they derive from them, as any part of the chain of reaſoning) that in the courſe of the doctrines you hold, you are led to diſapprove the law giving a bounty on corn exported; and alſo to think, that the monopoly, which we claim in the American trade *, "like all other mean and malignant expedients of the mercantile ſyſtem," without in the leaſt increaſing, doth on the contrary diminiſh the induſtry of the country, in whoſe favour it is eſtabliſhed; and doth, although it may have the ſeducing aſpect of a *relative advantage* †, ſubject the nation, its trade and commerce, to an abſolute diſadvantage. I hope you will not think, that I miſunderſtand, or mean to miſ-ſtate, your poſition. You allow, and very fully explain the great advantages of the colony trade, but think that the monopoly is the reaſon why, great as it is, we do not derive ſo great advantages from it to the nation and to the landed intereſt, and to the community in general, as we might have done, had it not been crampt and perverted by the monopoly.

In the many occaſions which I have had to view this monopoly, I own, although I have ſeen ſome errors in the extenſion of the *meaſure*, further than is expedient or neceſſary, yet I do not ſee the malignancy of the principle of a monopoly; nor while I have lived amidſt the daily proofs of the *relative advantage* which it gives to the mother country, by its colonies, over all other

* Pag. 286. † B. IV. C. VII. P. 201.

foreign nations, I have not been able to diſcover, nor have your arguments, although ſo methodically and ſo clearly drawn out, been able to explain to me, that abſolute diſadvantage which you think it ſubjects us to.

Although I agree entirely with you, having alſo previouſly read the ſame opinion in Mr. Necker's Treatiſe, *ſur la Legiſlation & le Commerce des Graines*, that the bounty which our law gives to the exportation of corn, has not been the ſole cauſe which hath rendered corn cheaper than otherwiſe it would have been; but, on the contrary, hath, in each direct inſtance, given it ſome ſmall advance in the general ſcale of prices: Yet, conſidering that ſo far as it does this, and gives relief to the relative oppreſſion which the landed intereſt muſt continue to feel under *a continued influx of riches*, and an advancing riſe in the prices of every thing elſe; I think it one of the wiſeſt meaſures for a country like England that could be deviſed.

I think with you, that many of our laws and regulations of trade are practical errors, and miſchievous. I think that, while they ſeem to be founded on our navigation act, they miſtake the ſpirit of it, and no leſs miſtake the real intereſt of the nation: yet I cannot but hold theſe to be errors only, as they deviate from the true principle of the act of navigation, which is a different thing from the acts of trade.

Having prefaced thus much as to the ſeveral doctrines on which I have conceived ſome doubts, I will now, following the order of your work, ſtate thoſe doubts. When I found you diſcarding *metallic money*, that intervening commodity which having, by common conſent, acquired a value of its own, hath been hitherto eſteemed a common known meaſure of the value of all other things, from being any longer ſuch common meaſure, and by a refinement of theory, endeavouring to eſtabliſh in its place "an abſtract notion," *that labour was the common meaſure of all value*; I did not only doubt the truth of the poſition, but, looking to the uſes that might be made of the doctrine, heſitated on the principle. If labour be the only real and ultimate meaſure of value, money is but the inſtrument, like the counters on the checkquer, which keeps the account; if this be all the uſe of money, then *circulation*, or even *an account opened with a banker* (according to a practice in Scotland, as deſcribed by you) is to all uſes and ends as good as money. If it is not neceſſary, that the common meaſure ſhould have ſome known permanent value in itſelf, ſo as to be a depoſit of that abſent value which it repreſents, as well as meaſures, ſo as to convey to all who poſſeſs it an abſolute power of purchaſe, then indeed the circulating inſtrument, the machine that circulates, whether it be a paper or a leather one, or even an account, without any *depoſit*, is equal to all the uſes and end of money, is that which we may ſafely receive for the future. As I have been mixed in the buſineſs of a country, where the evils of this doctrine and practice have been ſeverely felt, and where it was my duty to watch, that nothing was impoſed upon the publick as money, but what was either in itſelf

ſelf a depoſit, or was eſtabliſhed on a fund equal to a depoſit, and what had *all* the uſes of a permanent known meaſure in all caſes of circulation; I could not but read this leading doctrine of your's with great caution and doubt. I muſt doubt, whether it be labour ſimply which creates and becomes the meaſure of value, when I find other component parts mixed in the moſt ſimple idea of value: I cannot conceive, that equal quantities of labour are abſolutely of equal value, when I find the value of labour both in uſe and in exchange varying in all proportions, amidſt the correlative values of theſe components parts; I cannot ſuppoſe labour to be the ultimate meaſure, when I find labour itſelf meaſured by ſomething more remote.—You ſay very properly in the major of your ſyllogiſm, that when the diviſion of labour has once thoroughly taken place, it is but a very ſmall part of the neceſſaries and conveniencies of life, with which a man's own labour can ſupply him. But when we come to the minor propoſition of it, we muſt conſider alſo the objects on which labour is employed; for it is not ſimply the *labour*, but the *labour mixed with theſe objects*, that is exchanged; it is *the compoſite article, the laboured article:* Some part of the exchangeable value is derived from the object itſelf; and in this compoſite value, which is the thing actually exchanged, the labour bears very different proportions of value, according to the different nature of the object on which it is employed. Labour, employed in *collecting* the *ſpontaneous produce* of the earth, is very different in the compoſite exchangeable value of the fruit collected, from that which is employed in raiſing and collecting the *cultured fruits* of the earth. Labour, employed on a rich, cleared, ſubdued and fruitful, or on a poor and unkindly ſoil, or on a wild uncleared waſte, has a very different value in the compoſite object produced in the one, from what it bears in the compoſite value of the other. As the object then makes part of the compoſite value, we muſt conſider, in the exchangeable value, the object alſo, as a component part. Whoſe then is the object? Who has acquired, and does poſſeſs, the object or objects on which the labour may be employed? Let us take up this conſideration under theſe firſt ſcenes of man, which are uſually called a ſtate of nature, ſomewhat advanced in the diviſion of labour and community. Previous to the employing of labour, there muſt be ſome acquiſition of objects whereon to employ this labour; a ſtrong and ſelfiſh man, who will not labour, ſits, we will ſuppoſe, idly under a tree, loaded with the ſpontaneous fruits of nature; an induſtrious, but weaker man, wants ſome part of thoſe to ſupply his neceſſity, the idler will not let him collect the fruit, unleſs that other collects alſo enough for both. Or if, ſtill more churliſh and more ſelfiſh, he will not let him who is willing, by his labour, to collect a ſufficiency for *his* uſe, unleſs the labourer collects alſo more than ſufficient for the idler's preſent uſe, ſufficient for his future uſe alſo. Does the labourer here command or exchange, by his labour, any part of the labour of the idler? Certainly not. In this ſtate *a diviſion of the*

the objects on which labour muſt be employed, and with which it muſt be mixed, as well as a diviſion of labour hath taken place; and therefore the labourer muſt be able, by his labour, to command in exchange a certain portion of theſe objects which another hath, as well as a certain part of that other's labour. It will not relieve this doubt by ſaying, as Mr. Locke (treating of right) ſays, that there can be no *right of poſſeſſion*, but by a man's mixing his labour with any object; becauſe we are here not conſidering the matter of right, but the matter of fact: nor will it anſwer to ſay, that the acquiſition itſelf is an act of labour, becauſe I have here ſtated the caſe of a churliſh ſluggard idler, ſtrong enough to maintain himſelf in idleneſs, by commanding not only the actual labourer, but certain *greater or leſſer quantity of that labour*, according as his ſelfiſh churliſh temper leads him to preſs upon the neceſſity of the weaker. Suppoſe the ſame idler, in this diviſion of the objects of labour, to have got poſſeſſion of a fiſhing lake, or a beaver-pond, or in a ſandy deſart of a ſpring; or of a ſpot of fruitful ground, amidſt a barren country; or of a ford, or particular poſition, which commands a fine hunting-ground, ſo as to exclude the labourer from the objects whereon his labour muſt be employed, in order to form that laboured article which is to ſupply his wants. You ſee, that the means of commanding the *objects of labour, as well the labour* of another, make part of the ſupply whereby a man muſt live, whereby he may be ſaid to be rich or poor. Even you yourſelf (I hope you will excuſe the expreſſion under which I quote it) ſay, with rather ſome degree of confuſion in terms, "that every thing is really *worth* to the man who has *acquired it*, and who "wants to diſpoſe of it, or exchange it for ſomething elſe, the toil and trouble "which it can ſave to himſelf, and which it can impoſe upon other people." This expreſſes the concluſion which I draw from the caſe I have ſtated, and not your poſition, that labour is the *meaſure*, and that it is labour which is exchangeable for *value:* it is, on the contrary, the mixture of the labour, and the objects laboured upon, which produces the compoſite value. The labour muſt remain unproductive, unleſs it hath ſome object whereon to exert itſelf, and the object is of no uſe unleſs laboured upon. The exchange therefore is made by A keeping a part of his labour mixed with a part of the object, and B uſing a part of his objects rendered uſeful by the labour of A mixed with them. The conſequence therefore in your ſyllogiſm cannot fairly conclude, that the value of any commodity to the perſon who poſſeſſes it, and who means not to uſe or to conſume it himſelf, but to exchange it for other commodities, *is equal to the quantity of labour*, which it enables him to purchaſe or command. On the contrary, it is a compoſite value of the object and labour mixed, and takes part of its value from each of the component parts. It is not therefore labour (which is but one of the component parts of the exchangeable commodity) which gives the exchangeable value, but *the labour and the object mixed*, the compounded laboured article, in which the labour bears all

poſſible

poſſible proportions to the correlative value of the two component parts, according as the poſſeſſor of the object, or the exertor of the labour, or the common general courſe of the eſtimation of mankind ſhall ſettle it. Real value, if any ſuch thing there be different from market value, is *the mixed compoſite laboured article*, not labour ſimply.

You have, Sir, made a very proper diſtinction of *value in uſe*, and *value in exchange*. That labour which varies in its productive power, according as it is differently applied, and according to the object it is employed upon, muſt certainly vary in its uſe, and equal quantities of it muſt be in ſuch different circumſtances of very unequal value to the labourer. *Labour in vain, loſt labour—Labour which makes itſelf work*, (phraſes which, to a proverb, expreſs ſome ſpecies of labour,) *cannot be* ſaid to be *of any uſe* to the labourer. He who would ſhave a block with razor, will labour in vain. He who ſows on a rock, or on a barren ſand, or in a drowned moraſs, will loſe his labour. He who ſheers his hogs, will have great cry and little wool, and only make himſelf work: but labour will ſtill vary more in its *exchangeable value*; equal quantities of labour will receive very variable degrees of eſtimation and value. In the firſt operation of barter of labour (the value of the objects being, for the ſake of argument, laid aſide) we will ſuppoſe A to ſay to B, you ſhall have as much of the ſurplus of my labour on the article ⊙, as you will exchange for the ſurplus of your labour on the article △. By this, A "means to ſave "as much of his toil and trouble to himſelf, and to impoſe as much upon B, "as he can." B means the ſame. What then is to be the real ſtandard of meaſure? Not labour itſelf. What is to give the reſpective eſtimation in which each holds his labour? Each alternately will be diſpoſed to eſtimate his own moſt valuable, and to each "the labour of the other will ſometimes appear to "be of greater and ſometimes of ſmaller value*." This value cannot be fixed by and in the nature of the labour; it will depend upon the nature of the feelings and the activity of the perſons eſtimating it. A and B having, by equal quantities of labour, produced equal quantities of two of the moſt neceſſary articles of ſupply, whoſe values, in the general ſcale of things, vary the leaſt; each having a ſurplus in the article which his labour has produced, and each likewiſe having an equal want of what the other has produced. This *quantity* of labour, although ſtated as *equal*, will have very different *exchangeable values* in the hands of the one or the other, as A or B are *by nature* formed to make a good bargain in the common adjuſtment of the barter. He who has not an impatience in his deſire on one hand, or a ſoon-alarmed fear on the other of loſing his market; who has a certain firmneſs, perſeverance and coldneſs in barter; who has a certain *natural* ſelf-eſtimation, will take the lead in ſetting the price upon the meek and poor in ſpirit; upon the impatient and timid bargainer. The higher or lower value of theſe equal quantities of

* Pag. 39.

labour, will follow the one or the other ſpirit. The value is not equal, and is not fixed in, nor depends upon, the equal quantity of the labour; it is unequal and differs, and is fixed by, and derives from, the different *natures of the perſons* bargaining. The exchangeable value of equal quantities of labour, ſtated equal in all circumſtances, is not only not equal in this firſt inſtance, between that of A and B, but may, in other compariſons, vary both in A and in B individually. The exchangeable value of B, although inferior in barter with A, may acquire an aſcendant value, and be ſuperior in barter with C. This difference and this variation will run through every degree in the utmoſt extent of the markets: nay, the ſame perſon will, in different habits, relations and circumſtances of life, eſtimate that labour (which ſhall be ſtated to be abſolutely equal) as of very different value; he will, on different occaſions, eſtimate his "eaſe, liberty, and deſire of happineſs" differently. Equal quantities of labour, equal, I mean abſolutely, and in every reſpect, will acquire and derive very different values both in uſe, and in exchange both in reſpect of the perſon by whom ſuch is exerted, as well as in reſpect of the perſon who barters for it, from the objects with which it is mixed. Reſpecting the perſon by whom it is exerted, if a day's labour always produces a day's ſubſiſtance, the value in uſe is always the ſame; if it doth not, the value in uſe muſt vary. In reſpect of exchangeable value, labour will ſometimes give value to things which, in themſelves, had little or no value: in others, it will derive value from the things with which it is mixed; it will itſelf have an exchangeable value from its compounded value, that is, from the proportion of value which it bears in the compoſite laboured article.

What is thus varying in a relative value, muſt require ſome correlative, which, while this meaſures other things, in return will meaſure it; that which is itſelf meaſured by ſomething more remote, cannot be the final meaſure or ſtandard. It cannot * therefore be "alone the ultimate and real ſtandard by "which the value of all commodities can, at all times and places, be eſti-"mated and compared: it is not their *real price*." I muſt therefore conclude, in a propoſition which I quote from yourſelf, where I wiſh you had let the buſineſs † reſt; "That there can be no accurate meaſure, but that exchange-"able value muſt be ſettled by the higgling and bargaining of the market, ac-"cording to that ſort of rough equality, which, though not exact, is ſuffici-"ent for the carrying on the buſineſs of life."

You confeſs, that this propoſition of your's, "*That labour is the meaſure "of the value, and the real price of all commodities*," is "*an abſtract notion*." As ſuch I ſhould not have taken any notice of it; but you endeavour to eſtabliſh it as a leading principle, whereby I think a *practical one*, which mankind hath univerſally and generally acted upon, may be in dangerous ſpeculations diſtinguiſhed away. If the common forenſick idea, that money which, in

* Pag. 39. † Pag. 37.

in the common acceptation of it, hath actually been uſed to meaſure, doth in ſtrict truth meaſure as "a common intervening commodity," both labour and all other things, and their relations, is to be conſidered as a more practical notion, and we are in reaſoning to look to ſome abſtract notion, as the real ſtandard. What do we, but pervert our reaſoning from diſtinct notions in practice, to "abſtract notions," and ſubleties in theory: as I apprehend that theſe theories have been, and fear they may and will again be uſed, if admitted into the reaſoning of the world, to very miſchievous and deſtructive ſchemes; as I think that they remove old bounds, and eraſe old and ſolid foundations, and may be applied to the building paper caſtles in the air; as they lead to ſpeculations, which ſwerve from the idea of *pledge and depoſit in money matters*, and tend to create *an imaginary phantom of circulation*, erected on the foundation of credit and opinion of truſt only, I have taken the liberty of ſtating my doubts upon it.

While I have thus doubted, whether labour is the ultimate meaſure and ſtandard of the exchangeable value of all commodities, I ſhould be willing with you to admit, that corn will not univerſally anſwer as ſuch a meaſure, had not you yourſelf *, in another part of your book ſeemed to think, that "the "nature of things has ſtamped upon corn, *a real* value, which no human in- "ſtitution can alter; and that *corn* is that regulating commodity, by which "the real value of all other commodities muſt *be finally meaſured* and determined." Gold and ſilver, you ſay, varying as it doth in its own value, can never be an accurate meaſure of the value of other things. There is then, according to what I have always been uſed to think, and what from your Treatiſe I find myſelf confirmed in, no one commodity that will meaſure all others, but that all are to one another in their reciprocal value *alternate meaſures*; and that *gold and ſilver* is only the common and moſt general, almoſt the univerſal, meaſure, ſo found to be, and ſo uſed by the general experience and conſent of mankind, as *that intervening commodity* which will moſt uniformly become *a common meaſure*, at the ſame that it doth (as being a depoſit of value, which all mankind have agreed to receive) *give univerſal power of purchaſe*.

As I think that there is no real meaſure of value, ſo I think there is no fixed natural rate of value, or real price diſtinct from the market price. I think, that the doctrine which ſtates the two definitions as an actual exiſting truth, and as a practical diſtinction formed for buſineſs, not true on one hand, but on the other a dangerous propoſition.

You ſay, † "That there is in every ſociety or neighbourhood *an ordinary or* "*average rate* both of wages and profit, in every different employment of la- "bour and ſtock;" theſe average rates you call "the *natural price*, at the "time and place in which they commonly prevail."

The

* B. IV. C. V. Vol. II. P. 101. † B. I. C. VII. P. 66.

The actual price at which any commodity is *commonly ſold*, is called its market price.

I clearly ſee the diſtinction in definition; but I do not learn how the ordinary average rates, or price paid for labour, or for the uſe of land or ſtock, or for any commodity in the neighbourhood, where it comes from the firſt hand, in the firſt act of bargain and ſale, is any more natural than the price which it finds and bears in any other ſucceeding act of bargain and ſale, at the time and place wherever it is ſold. What is it, in the firſt inſtance, which ſettles theſe average rates, which you call natural, but the competition of the effectual demand, compared with the ſupply, and founded on ſome proportion whereby the price paid for labour, ſtock or land, will enable the ſeller to purchaſe an equivalent quantity of thoſe neceſſaries and conveniences which his ſtate of life requires? If, from this firſt operation of bargain and ſale, the commodity, by means of carriage, and the collection, ſtorage, and diſtribution of the middle man, goes to a ſucceeding and more complicated value with theſe adventitious articles of expence added to it: Is not the price which is here, alſo the price at which it here commonly ſells, and which is in like manner preciſely determined equally, that ordinary average rate and *natural price* as the former? Or rather, is not the price in the firſt operation of bargain and ſale *equally a market price* as the latter, ſettled by that higgling and barter which doth and muſt finally regulate it in all times and in all caſes? The refinement which, uſing different expreſſions, as in one caſe calling it "the ordinary average rate," and in the other, "that price at which it is commonly ſold," is a diſtinction of words without ſcarce a difference in idea, certainly none in fact and truth. If there be any ſuch thing as a natural price, both are natural; if not, which I rather think both are the artificial market price, ſuch as the act of higgling and barter can ſettle on the reciprocation of wants and mutual ſupply. What elſe is it in *nature* which ſettles the ordinary average rates, which you call the natural price? This price "*naturally* "increaſes," as adventitious circumſtances mix with the commodity brought to ſale. The encreaſed market price encreaſes by the adventitious circumſtances of labour in carriage, of riſque, ſtorage, and the middle-man's profit. This encreaſe is *naturally* regulated by the ordinary and average rates of theſe added circumſtances in their time and place; and on theſe the competition, compared with the ſupply, doth as naturally in one caſe as in the other create the market price; which may be called, if you chooſe to call the former ſo, a natural price; but both are, in fact, equally in their time and place the market price. When therefore you ſay,* "that the natural price is the *central* "*price*, to which the prices of all commodities are perpetually gravitating;" I muſt own that I receive the metaphor of the propoſition with great apprehenſions of the uſes in practice, which the doctrine may lead to. If any one, who

* B. I. C. VII. P. 70.

who has got a lead in buſineſs, ſhould adopt your diſtinction of *natural and market price*; and, following the deluſion of your metaphor, ſhould think, that, as in nature, all market prices do perpetually gravitate to the natural *central price*, ſo the circuiting motion of all market prices ſhould be made to take and keep this direction round their center; (perfectly ſatisfying himſelf, that as he ought not, ſo he does not, meddle with the *natural prices* of things:) he may, through a confuſion and reverſe of all order, ſo perplex the ſupply of the community, as totally to ruin thoſe who are concerned in it, and intirely to obſtruct it. He may render trade almoſt impracticable, and annihilate commerce. That the ſucceeding prices of the ſecondary operations of bargain and ſale are regulated by the ſame rules and laws of barter as the firſt; and that the outſet of the firſt will give direction of motion, as well as motion to all ſucceeding operations, regulated by the ſame laws of this motion, is certainly true; and that it will (while in the ordinary courſe of things) keep this motion equable by the reſpective average rates in their time and place: that the violence and artifices of man will ever and anon try to warp and miſrate it, is certainly true; and a truth well worthy of conſtant attention—not with a view to interfere and intermeddle with the *market prices*, under any theory of regulating them by ſome ſuppoſed natural *central price*, but to obſtruct and oppoſe all interference and meddling whatſoever; and upon this truth to maintain in the market an univerſal freedom, choice and liberty.

Although, as I have ſtated my opinion above, I think, that the general courſe of all prices, or that correlative value between commodities muſt depend upon, and derive from the reciprocal higgling of bargain and ſale, and are not meaſured by labour: Yet ſo far as they depend upon, or are mixed with labour, there is ſome natural ſcale below which they cannot go; which ſcale takes its level from the quantity of ſubſiſtence which ſuch labour will procure. The plain and home-ſpun wiſdom of our anceſtors, therefore, did not attempt to meaſure the prices of things by any *abſtract notion of labour being that meaſure*, but they meaſured labour itſelf * " by the plenty or dearth of proviſions," or the ſubſiſtance, according to the laboured productive effects of nature from time to time. Although therefore I agree with you, † " that the *common wages* of " labour *depends* every where *upon the contract* made between two parties, " whoſe intereſts are by no means the ſame;" yet in that, ‡ " a man muſt " always live by his work, and that his wages muſt at leaſt maintain him." There is a ſcale of rate below which the price of labour cannot by any contract or bargain be lowered.

That the prices of wages do continually increaſe with the advancing proſperity of any community, and that they are the higheſt in thoſe communities, who are advancing with the moſt rapid velocity, is a truth, a comfortable and an encouraging truth: yet as prices of wages follow but with ſlow and loaded

ſteps,

* Vide the ſeveral ſtatutes of labourers. † B. I. C. VIII. P. 81. ‡ P. 83.

ſteps, in proportion to the quick motions of the riſe of the prices of all other things, if ſome care and attention is not given to aid the motion of the riſe of wages, in ſome meaſure to keep it above the loweſt ſcale, which it can ſubſiſt by; we may, in the triumph of proſperity, and in the pride of rectitude, ſee the poor labourer, of the lower claſſes, under a continued ſtate of helpleſs oppreſſion, amidſt the proſperity of the community in general; but of the nature, and of the manner of regulating theſe, I ſhall have occaſion to treat in another place, and on another occaſion.

As value or price is not any fixed *natural* thing, but is merely the *actual* correlative proportion of exchange amongſt all commodities; *ſo that intervening commodity which* does in fact moſt commonly, or on common reſult, and by common conſent, *expreſs this correlative proportion*, is *the common meaſure* of this value: It is not an abſtract notion of *labour*, "but *money* * (as "Mr. Hume ſays) which is *by agreement* the common meaſure." This common meaſure does not barely expreſs the proportion of value between commodities when brought together in the act of exchange, but is that ſomething, that moſt common intervening commodity, which mankind hath generally and univerſally agreed ſhall not only expreſs this act of exchange, and the relation of reciprocal value under which it is made, but which is in fact an univerſal equivalent depoſit of value, which gives, in all places and at all times, with all perſons, a power of purchaſe, and is in fact and truth that intervening commodity, which, as a common meaſure, exchanges without actually bringing the things exchanged into barter. The thing which we thus expreſs in abſtract reaſoning by the word *money*, is *by uſe* univerſal, by general and common conſent, *the precious metals applied as this practical common meaſure*, the uſes which it hath, and the purpoſes to which it is applied amongſt the acts and things of the community, gives it *a value in its exchangeable operations*. This idea of money is fixed by *old bounds* of common conſent and univerſal practice; and as I am not willing *to remove old bounds*, fixed in a real foundation, to follow an abſtract notion † "on Dædalian wings through the air;" I will here next take the liberty to ſtate the reaſons which make me heſitate to follow you in thoſe regions of theory. Although you tell me, that it is not the metallic money which is exchanged, it is the *money's worth*; that money may be the *actual* meaſure of this exchange, but that it is the labour which the money repreſents and ſells and purchaſes, which is the *real meaſure*. Yet when my ideas lead me in the very line of your analyſis to conceive, that labour is not, no more than any other commodity, the ultimate meaſure, but is the thing meaſured; that when meaſured againſt ſubſiſtance, it is actually meaſured by that ſubſiſtance. When I conſider, that although it is the money's worth which is exchanged, yet it is the money which meaſures and exchanges it. I cannot but think it neareſt even to abſtract truth, and ſafeſt in practice, to

* Eſſay on Money, P. 321. † B. II. C. II. P. 289.

to abide by *the old bounds* of that idea which mankind hath generally and univerſally fixed, *that money* IS THE COMMON MEASURE, to be which adequately, and in all its *uſes*, it muſt be a DEPOSIT alſo.

In your account * of the origin and uſe of money, you very properly ſtate, that "every prudent man in every period of ſociety (after the firſt eſtabliſh-"ment of the diviſion of labour) muſt naturally have endeavoured to manage "his affairs in ſuch manner, as to have at all times by him, beſides the pecu-"liar produce of his own induſtry, a certain quantity of ſome one commo-"dity or other, ſuch as he imagined few people would be likely to refuſe in "exchange for the produce of their induſtry." If in the doing this, all, led by any thing in the nature of any commodity itſelf, or by ſome coincidence of reaſoning and conſent, ſhould agree upon any one commodity in general, which would be thus generally and univerſally received in exchange, *that*, in the moſt refined ſtrictneſs of abſtract reaſoning, as well as in deciſive fact, would become that † *intervening commodity* which would meaſure the exchangeable value, and be the real inſtrument of actual exchange in the market. It would not only be that *meaſure*, but it would become a *real* as well as *actual depoſit of value*, and would convey to whomſoever poſſeſſed it, a general, univerſal and effective power of purchaſe.

When next then I inquire, what this intervening commodity is—I find, ‡ that metallic money, or rather "ſilver, is that which, by the general con-"ſent of mankind, has become that depoſit, which is the common meaſure; "this is a general effect of ſome general cauſe. The experience of its degree "of ſcarceneſs, compared with its common introduction amidſt men, toge-"ther with the facility of its being known by its viſible and palpable proper-"ties, hath given this effect. Its degree of ſcarceneſs hath given it a value "proportioned to the making it A DEPOSIT; and the certain quantity in "which this is mixed with the poſſeſſions and tranſactions of men, together "with the facility of its being known, has made it A COMMON MEASURE "amongſt thoſe things. There are perhaps other things which might be bet-"ter applied to commerce as *a common meaſure*, and there are perhaps other "things which might better anſwer *as a depoſit*; but there is nothing, except "[the precious metals, or rather] ſilver, known and acknowledged by the "general experience of mankind, which is *a depoſit and a common meaſure*. "Paper, leather, or parchment, may, by the ſanction of government, be-"come a common meaſure, to an extent beyond what ſilver could reach; yet "all the ſanction and power of government never will make it an *adequate* de-"poſit. Diamonds, pearls, or other jewels, may, in many caſes, be conſi-"dered as a more apt and ſuitable depoſit, and may be applied as ſuch to an "extant to which ſilver will not reach: yet their ſcarcity tends to throw them "into

* B. I. C. IV. P. 28. † C. V. P. 37. ‡ Vide adminiſtration of the Colonies, C. V. Vol. I.

" into a monopoly; they cannot be ſubdivided nor amaſſed into one concrete;
" and the knowledge of them is more calculated for a myſtery, or trade, than
" for the forenſic uſes of man in common, and they will never therefore be-
" come a common meaſure.

" The quantity of this depoſit, and the general application of it to ſeveral
" different commodities, in different places and circumſtances, creates a cor-
" relative proportion between it and other objects, with which it ſtands com-
" pared, and from this proportion forms *its own ſcale*; this ſcale derives from
" the effect of natural operations, and not from artificial impoſition. If there-
" fore ſilver was never uſed but by the merchant, as the general meaſure of
" his commerce and exchange, *coin* would be (as it is in ſuch caſe) of no uſe;
" it would be conſidered as bullion only. Although bullion is thus ſufficient
" for the meaſure of general commerce, yet for the daily uſes of the market
" ſomething more is wanted in detail; ſomething is wanted to mark to com-
" mon judgment its proportion, and to give the ſcale: government therefore
" here interpoſes, and by forming it into COIN gives the ſcale, and makes it
" become to forenſic uſe AN INSTRUMENT in detail, as well as it is in bullion
" A MEASURE in general."

It is here, Sir, that I think your Analyſis, ſubtiliſed by too high refinement, deviates from the path in which the nature of things would have led you. Quitting the idea of money being A COMMON MEASURE, and totally leaving out all idea of its being a DEPOSIT, your Analyſis leads you to conceive no other idea of it but as CIRCULATION, or, as you diſtinctly expreſs it, a CIRCULATING MACHINE; and of courſe, according to theſe principles, conſidering it as an inſtrument, you ſtate it in your account *amongſt thoſe inſtruments which form the fixed capital of the community*. The reſult of which in fair reaſoning is, that as theſe machines coſt an expence (which muſt be either drawn from the circulating capital of the community, or from its revenue by ſavings) both to erect them and to maintain them; ſo every ſaving which can be made in the erection or maintenance of ſuch a machine, will be advantageous to the circulating capital, the ſource of materials and wages, and the ſpring of induſtry. In this line of deduction you come to the reſult in practice, and ſay, * that " the ſubſtitution of paper, in the room of gold
" and ſilver money, replaces *a very expenſive inſtrument* of commerce with one
" much leſs coſtly, and *ſometimes* equally convenient; *circulation* comes to be
" carried on by *a new wheel*, which it coſts leſs both to erect and to maintain
" than *the old one*."

As my reaſoning hath many years ago impreſſed it ſtrongly on my mind, that money is a COMMON MEASURE, and muſt be a DEPOSIT, and *in coin an inſtrument* of the market; and as many years experience in a country of paper hath convinced me, that if any inſtrument of the exchange of commodities, other

* B. II. C. II. P. 350.

other than that which, while it meaſures the correlative values in circulation, is founded on a DEPOSIT, equivalent at all times to the converſion of it into money, ſhall be introduced, it will be a ſource of fraud, which, leading by an unnatural influx of riches to luxury without bounds, and to enterprize without foundation, will derange all induſtry, and inſtead of ſubſtantial wealth end by bankruptcies in diſtreſs and poverty.

So far as *circulation* can carry on the exchanges of commodities in the community, ſo far paper bills of credit, or even accounts opened, may do in the room of the metallic money; but without a depoſit, which is adequate and equivalent in all times and places, and with all perſons, to this converſion of it, I have no ſure foundation, that I do poſſeſs, in all times and places, and with all perſons, *the power of purchaſing or of accumulating as I like*. Although I have all the truſt and confidence in the world in the credit of this circulating machine of paper, yet it has not the univerſal extent in, nor the operation of all the uſes of money, although therefore it may be "*ſometimes* "*equally convenient;*" it is not that intervening commodity which hath *all the uſes of money*, * univerſally and adequately. Circulation, even where no paper money or credit exiſts, muſt always much exceed in its total of exchange the ſum total of the money depoſit, how much that is, experience in the fact can alone determine: paper may certainly, without any danger, encreaſe this power of circulation, if it does not exceed what the depoſit will anſwer while it is in circulation, and is created *on ſuch a fund, as will finally convert it into money*. So far as paper, by the extent of the uſes, and the abſolute ſecurity and exchangeable converſion of it into metallic money, *can be and is made a depoſit*, ſo far it may ſafely meaſure as money, and become a convenient inſtrument; but in that this ſecurity is always more or leſs uncertain; in that it depends on the prudence and probity of the money makers, it is always liable to exception, abuſe and failure. So far forth as it is defective in its fund, the creation and uſe of it muſt be always hazardous, and hath been generally ruinous; and however diſtant and remote the end may be, *muſt* be a fraud in the end. In a world of enterprize, where *truſt and credit* is ſubſtituted *in the ſtead of fund* and prompt change, paper money loſes the very eſſence of a depoſit; unleſs I have *a depoſit*, which gives me an abſolute actual power of purchaſing, in all times and places, in all events, to all intents and uſes; or that which is abſolutely ready and immediate change for ſuch depoſit. The bill which I have, may or may not, here or there, now and then, *ſometimes* not always, maintain in me *the power of purchaſing*, or of real hoarding or banking as I like. General, univerſal, permanent conſent of all mankind, has, from *actual experience* of its uſes, given to *metallic money* a permanent and abſolute value: partial, local, temporary agreement, founded *in opinion of truſt and credit*, can give to paper but a partial, local, temporary ideal value, which never

* P. 350.

will be a real and univerſal depoſit; it may become to certain local temporary purpoſes a *circulating machine*, but money is ſomething more: this paper is not that intervening commodity, which all mankind hath univerſally agreed to be *that common meaſure which is a depoſit*; ſuch alone is money in the ſtrict as well as common acceptation of the word and idea.

So far as paper money can be ſo contrived as to have, while it is in circulation, *all the uſes* of money; or is ſo founded, that it can in all moments and in all places be taken out of circulation by converſion into metallic money at its nominal value, ſo far it will be equal to money both as a meaſure and as a depoſit. But ſo far as it is defective in any one uſe, however much it may excel in any other uſe, it will and muſt depreciate below the real value of the metallic money, which it is ſuppoſed to repreſent; ſo far as in any point of time or place the power of converting it into metallic money is remote, ſo far is it ideal, unſubſtantial, and no depoſit. Although with a fund of 20,000*l.* a banker, or the treaſury of a government, may circulate 100,000*l.* yet as whenever, for any reaſon, or by any event, it becomes neceſſary to take that 100,000*l.* out of circulation, the banker or the treaſury can but pay 20,000*l.* or four ſhillings in the pound, that circulation muſt end in a fraud.

Where, in the circulation of capital, paper money is ſubſtituted inſtead of metallic money, you allow, that it will not anſwer in its uſes to foreign trade. I, for the ſame reaſon, add, it will not *pay taxes*, ſo far as thoſe taxes are to *ſupply expences incurred or laid out abroad*. If great variety of *reabſorbing glands* did not in Scotland take up, in the courſe of circulation, the amount of the taxes levied on that part of the kingdom, their paper money could not pay that amount.

Juſt as much gold, as paper circulation becomes a ſubſtitute for, may be ſpared from circulation, and will become, as you truly ſay, a new fund for commerce, and will go abroad in foreign trade: if it is employed in a commerce of luxury or conſumption, it is in every reſpect hurtful to ſociety; ſo far as it purchaſes raw and rude materials, or proviſions or tools, and inſtruments to work with, it may be beneficial. You think that, however individuals may run into the former, bodies and ſocieties are more likely to actuate the latter. Yet in countries where a ſuperabundant quantity of paper money hath taken place, where the power of creating this money hath advanced faſter in its creation and emiſſions than the labour, induſtry and abilities of the inhabitants would have produced it. This *artificial plenty* hath always encouraged a commerce of luxury; an over-trading; a multitude and diſproportionate number of ſhop-keepers; extravagant expences in idle land-holders; more building than can be ſupported; and all kinds of ambitious and dangerous projects. " * The commerce and induſty of a country, you muſt ac-
" knowledge, and do candidly confeſs, though they may be ſomewhat augment-
" ed, cannot be altogether *ſo ſecure*, when they are thus, as it were, ſuſpend-
" ed

* B. II. C. II. P. 389.

" ed upon the *dædalian wings of paper money*, as when they travel *on the ſolid* " *ground of gold and ſilver*. Over and above the accidents to which they are " expoſed from the unſkilfulneſs (*I would here add the fraud alſo*) of the con- " ductors of this paper money, they are liable to ſeveral others, from which " no prudence or ſkill of the conductors can guard them."—You indeed rea- ſon from the *abuſe*, but all theſe arguments do equally derive from the *defect* of this paper money. As it creates an *influx of riches*, which does not ſpring from induſtry, which is not the effect and produce of uſeful labour; it creates, with aggravated circumſtances, all that diſtreſs which the real uſeful labourer and real man of property, the land-owner, muſt feel, even under an influx of real riches; it gives motion and velocity to this influx, without producing any real *depoſit* whereon the *riches*, which it pours in to circulation, *may be funded as* WEALTH. The land-holder lives for a while under oppreſſion and diſtreſs; he then, raiſing his rents beyond what the real ſtock will bear, lives in a de- luſive abundance of luxurious expence, but is finally ruined. The ſucceſſor, who purchaſes him out, ſucceeds by the ſame diſeaſe to the ſame ruin. The labourer, and all who live on fixed ſtipend, are under a continued ſeries of op- preſſion. The falſe wealth only of adventurers, jobbers, and cheats, become the riches of the country; that real depoſit, which would be a fund of real wealth and real ſupply in caſe of diſtreſs, will be chaced away. The phantom of circulation, which is ſubſtituted in its place, will, inſtead of coming in aid, fail, and vaniſh on the firſt alarm of diſtreſs.

" * An unſucceſsful [illegible] of the capital (*who does not tremble as he reads?*) and conſequently of that " treaſure which ſupported the credit of paper money, would occaſion *a much* " *greater confuſion* in a country where the whole circulation was carried on by " paper, than in one where the greater part of it was carried on by gold and " ſilver. The uſual inſtrument of commerce *having loſt its value*, no ex- " changes could be made but by barter or upon credit. All taxes having been " uſually paid in paper money, the prince would not have wherewithal either " to pay his troops or to furniſh his magazines; and the ſtate of the country " would be much more irretrievable, than if the greater part of its circula- " tion had conſiſted in gold and ſilver. A prince, anxious to maintain his " dominions in a ſtate in which he can moſt eaſily defend them, ought, upon " this account (*and I add upon all others*) to guard not only againſt the exceſ- " ſive multiplication of paper money, which ruins the very banks that iſſue " it, but even againſt that multiplication of it, which enables them to fill the " greater part of the circulation with it."

I was willing to oppoſe, in your own words, this fair deſcription which you give of the dangerous ſtate of a country which abounds in *circulation of riches*, inſtead of a depoſit, which is *wealth*, as an antidote againſt the deluſions of this

* B. II. C. II. P. 389.

this powerful temptation: and as I think the doſe ought to be repeated, I will repeat it in the words of the very clear-minded and ingenious Mr. Hume *.

" He has entertained *(he ſays from ſimilar reaſons as above ſtated)* a great " doubt concerning the benefit of banks and paper credit, which are ſo gene- " rally eſteemed advantageous to every nation. That proviſions and labour " ſhould become dear, by the encreaſe of trade and money, is, in many re- " ſpects, an inconvenience, but an inconvenience that is unavoidable, and the " effect of that publick wealth and proſperity, which is the end of all our " wiſhes. It is compenſated, however, by the advantages which we reap, " from the poſſeſſion of thoſe *precious metals*, and the weight which they give " the nation in all foreign wars and negotiations. But there appears no rea- " ſon for the encreaſing that inconvenience by *a counterfeit money*, which fo- " reigners will not accept in any payment, and which *any great diſorder in the " ſtate will reduce to* NOTHING."

It is for theſe reaſons, becauſe I am not for *removing old bounds*, and that I wiſh to preſerve the old general eſtabliſhed opinion, that money is a *common meaſure*; becauſe I am unwilling to receive that *new and deluſive friend* CIRCULATION, inſtead of *the old and ſteady one*, MONEY, which being a DEPOSIT, will ſtick by us in all times, that I have taken the liberty to examine this part of your Analyſis, and to wiſh, if you ſhould be perſuaded to reviſe it, that you would enquire, in the real track of nature, whether that commodity, by the intervention of which the exchanges of all commodities may in all times and caſes be actuated, muſt not, *in truth as well as fact*, be that common meaſure, in the uſe of which all mankind have univerſally agreed, and muſt not be a depoſit, which the metallic money alone is: and whether, where paper circulation is not ſo proportioned to the depoſit as that, that depoſit is always ready to exchange it during its circulation; is not eſtabliſhed on ſuch a *fund* as will *abſolutely exchange it*; whether, I ſay, ſuch paper circulation is not a deluſion that muſt finally, however remotely, lead to a fraud.

By what I have ſaid above I do not mean to ſay, that paper is not uſeful; I think, that under ſuch due regulations reſpecting the FUND, which is to exchange it, the USES to which it is to be applied, and the QUANTITY in which it may be ſafely iſſued, as will make it a common meaſure and a DEPOSIT, it is not only generally beneficial, but that the greateſt advantages may be derived from it to the publick.

If now, Sir, by theſe principles, as I have ſtated them, as they are found in the FUND and the USES, you examine all the ſchemes of paper circulation from that of the bank of Amſterdam, founded on a real depoſit, to that of the Scotch banks, founded on † truſt and confidence, without any actual depoſit; if you examine the paper money, and the operations of that wiſe and prudent inſtitution, the loan-office of Penſylvania, examine the foundation and the ſucceeding

* Hume's third Eſſay on Money. † B. II. C. II. Vol. I. P. 351.

ing operations of the bank of England, you will find, that you have a fixed canon, by which you may preciſely mark what are real, what deluſive; what may be beneficial, what will be ruinous in the end. Whereas, if no other idea but that of *circulation* enters into our notion of money; if it be conceived to be nothing more than *a circulating machine*, under that conception every deluſive fraudulent credit, which every adventurer can eſtabliſh *on a deceived and betrayed confidence*, may ſet in motion a circulation, that may on every ground be juſtified even in the moment of its bankruptcy. And even thoſe juſt and wiſe precautions, with which you have endeavoured to guard this circulation againſt fraud, may tend to give an opinion of confidence to this circulation, when it ſhall be ſo guarded, which in any caſe it ought not to have, unleſs it can be ſo framed as to have *all the uſe* of money in circulation, and be ſo *funded* as in the end to be a real depoſit.

It is impoſſible to paſs over thoſe parts of your learned work, wherein you treat of labour, ſtock, and land; of wages, profit, and rent; of the monied prices of commodities, and eſpecially your very curious and ſcientifick Treatiſe on the Precious Metals applied as Money; it is impoſſible to read thoſe parts reſpecting the effects of the progreſs of improvement in the community, of the nature, accumulation, and employment of ſtock, without reiterating the idea and the wiſh expreſſed in the beginning of this letter, of ſeeing your book conſidered as INSTITUTE OF THE PRINCIPIA *of thoſe laws of motion*, by which the operations of the community are directed and regulated, and by which they ſhould be examined. In that part, however, which explains the different effect of different employment of capital, wherein you ſeem rather to have engrafted ſome foreign ſhoots, than to have trained up, in the regular branchings of your Analyſis, to propoſitions fully demonſtrated, I will beg to arreſt your ſteps for a moment, while we examine the ground whereon we tread; and the more ſo, as I find theſe propoſitions uſed in the ſecond part of your work as data; whence you endeavour to prove, that the monopoly of the colony trade is a diſadvantageous commercial inſtitution.

After having very juſtly deſcribed the four different ways in which capital ſtock may be employed—firſt, in drawing from the elements of earth and water the rude, the ſpontaneous or cultured produce; next, in working theſe materials up for uſe; next, the general exchange or trade of theſe commodities, conveyed from place to place as they are wanted; and, laſtly, the retail diſtribution of them to the conſumer. After having divided by fair analyſis the general trade or commerce, deſcribed under the third head, into three different operations—that is, the home trade; the foreign trade of conſumption, and the carrying trade. After having ſhewn the juſt gradation of beneficial employ of capital, which theſe different operations produce, and how truly beneficial each in its reſpective *natural* gradations is, * "When the courſe of

"things,

* B. II. C. V. P. 453.

" things, without any conſtraint or violence, naturally introduces it;" you lay and prepare a ground of contraſt, from whence in your fourth book to prove, that the eſtabliſhment of a monopoly in the colony trade, by perverting this *natural order and gradation of operations* in commerce, hath rendered the commerce of ſuch colonies leſs beneficial than they might otherwiſe in general have been; I am here marking only the order of your argument, not trying the force of it. In the order of this argument, I think I diſcover an eſſential miſconception of that branch and operation of commerce, which is in nature *circuitous*, and as ſuch beneficial; but which you conceive to be and call *a round-about commerce*, and as ſuch of courſe, and in the nature of things, diſadvantageous. Your argument goes to prove, that the monopoly, inſtead of leaving the direct trade to its full and free operation, inſtead of ſuffering the round-about trade (as you call it) to take up the *ſurplus only* of capital which that produces, and next the carrying trade naturally to abſorb what the others diſgorge, doth force capital, which might have been more beneficially employed in a direct trade, into a round-about trade; which is too commonly miſtaken for the carrying trade of Great Britain.

I mean, in its place, to examine this your argument, in your application of it to the actual ſubject. I will here, in the mean time, with your leave, make an aſſay of the truth of its combination; for it appears to me, that in treating *a circuitous commerce* as a *round-about trade*, you confound two things the moſt diſtinct in their nature, and the moſt different in their effect of any two that could have been put together.

A CIRCUITOUS TRADE or commerce is that by which receiving, *with the due profits of return of capital*, ſome article of trade or ſome commodity, *which is better to go to market with than money*, I go to market with that commodity ſo received; and perhaps again with ſome other in like manner received; and perhaps again with a third, making by each operation my due profits, annexed to each return of my capital; and finally a greater ſuperlucration of profit than I could have done by the ſame number of direct trades; and conſequently either a greater revenue, or a greater accumulation of capital, that may again employ more productive labour.

A ROUND-ABOUT TRADE, on the contrary, with loſt labour, with waſte of expence, and unprofitable detention of capital, ſends to market ſome commodity (as the proverb well expreſſes it) *by Tom-Long the carrier*.

We will ſuppoſe, that the Britiſh merchant or factor hath ſold his Britiſh manufactures in Virginia, in which he veſted his capital; and that he has it in ſpeculation, whether by taking money, a bill of exchange, or ſome commodity, which is ready money's worth in the Britiſh market, he ſhall make a direct return of his capital, and its ſimple accretion of profit; or whether by taking ſuch commodities, as by an intermediate operation in his way home, he may

may derive an intermediate adventitious profit from, before the ſame is again reinveſted in Britiſh goods for the Virginian market.

In the firſt caſe, his capital may be ſaid to return with its profit directly; in the ſecond, although it may make a circuit, and be detained awhile in its way home, yet it is not detained, nor goes out of its way *unprofitably* to Great Britain; for by the ſuperlucration, ariſing from the intermediate operation, it gives proportionably either a greater revenue, or as an encreaſed capital employs more productive labour.

We will ſuppoſe a ſecond caſe taken up on this ſpeculation, that he either receives corn by barter, or by purchaſe inveſts what he has received in that commodity, with which, inſtead of coming directly home, he calls in his way at Cadiz or Liſbon; the ſale of his corn there returns him his capital with a ſecond accretion of profit. Here again he ſpeculates in like manner, and determines to inveſt this accumulated capital in wines, fruits, &c. which at the home market will again return his capital, with farther accretion of profit. Has not every movement of this circuitous trade been a different operation? Has not each operation made a diſtinct return of capital? Has not each return given its peculiar profit? Has any expence been waſted? Any labour loſt? Has there been any detention of capital unprofitably to Great Britain, while, at its return, it affords either more revenue, or, as capital, employs more productive labour than otherwiſe it would.

Let us in another line ſuppoſe, that this merchant or factor receives tobacco, rice, indigo, or peltry, which he brings directly home; with theſe commodities at the Britiſh market he ſpeculates, whether he ſhall take ready money there for them, which, veſting in Britiſh mannfactures, or foreign manufactures bought with Britiſh produce, he will return directly to Virginia again with. Or whether theſe commodities, which repreſent his capital, with its accretion of profit, might not ſtill more encreaſe it, if he himſelf ſent them to that market where they are purchaſed for conſumption. We will ſuppoſe, that his prudence directs him to the latter conduct. He ſends them then to Ruſſia or to Germany. They there return him his capital, with another accretion of profit. We will ſuppoſe, that he re-inveſts his capital with hemp or flax for the Britiſh, or in linnens for the American market. He is by this operation enabled to go back again to America, either with Ruſſian or German manufactures, bought with Britiſh commodities, or ſelling what he bought of Ruſſia or Germany in the Britiſh markets, with a ſtill more increaſed quantity of Britiſh manufactures than what any direct trade between America and Great Britain could have purchaſed. Here again the ſame queſtions may be aſked, and muſt receive the ſame anſwers.

On the contrary, wherever there is a *round-about trade*, there the commercial operations are obſtructed, and the advantages greatly defalcated, if not,

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in many inſtances, entirely loſt. The obliging the merchant to bring rice from the ſouthern latitudes northward to Great Britain, which rice muſt go back again ſouth to its market in the ſouthern parts of Europe and the Streights, was a round-about trade, it was labour loſt, it was a waſte of expence, an unprofitable detention of capital, and the commodity was ſent by *Tom Long the carrier* to market. The monopoly therefore, in that caſe, where it created a round-about trade, hath been relaxed. Sugars are in the ſame caſe; and a like relaxation, under peculiar regulations relating to that peculiar article, have been recommended, and might be ſafely and beneficially given. There are ſome parts of the tobacco crops, which, in the aſſortment, might be admitted to ſomewhat a ſimilar liberty without danger, but with benefit. Nay, *that intermediate operation of the circuitous trade*, mentioned above, which obliges the Virginian tobacco to come to England before it goes to Germany, and the German linnens alſo to come to England before they go to America, *is a round-about trade*, a needleſs and very diſadvantageous operation, in which ſome relaxation ought to be made. I can ſee, that the Engliſh merchant may loſe a commiſſion, but labour and expence would be ſaved to the community. In like manner the obliging the Weſt India ſhips, which, ſince the interruption of the American trade, load ſtaves, lumber and corn in England, which articles are brought from foreign parts, is obliging them to take up theſe things by a round-about trade; whereas, if they were permitted to ſhip, in Britiſh ſhipping only, theſe articles at the foreign markets directly for the Weſt Indies, many inconveniencies, which the Britiſh part of the community experiences, might be avoided, and both labour and expence ſaved to the community at large. If ſalt fiſh, which is intended for the ſouthern markets, was obliged to be brought northward firſt to England, and ſo go round about to the ſouth, its proper market, it would create a round-about trade. If theſe ſhips loading with ſalt for their back carriage were obliged to come round by England, it would create a round-about trade, and in either caſe would waſte labour, and might loſe all the profit of the capital employed. The monopoly therefore does not take place in this.

The permitting, in certain caſes ſtated, and under certain regulations ſpecified, the Americans who go with fiſh directly to the Streight, Spain, or Portugal, to purchaſe there, if purchaſed of Britiſh merchants, certain articles, and to carry the ſame, ſo purchaſed, directly back to America, ſo far as it would avoid the round-about trade, perſevering, and even extending at the ſame time the Britiſh market, has been for twelve or fourteen years ſucceſſively recommended.

I think in general on this ſubject, that wherever the monopoly would create a round-about trade, it ſhould not take place; and that wherever it hath occaſioned any ſuch round-about operation, it ſhould be relaxed; always

ways however keeping in view this object and end, namely, that ſo far as our colonies are to be conſidered as an inſtitution, eſtabliſhed and directed to encreaſe the naval force of our marine empire, and ſo far as that force derives in any degree from the operations of their commercial powers, ſo far that monopoly, which engrafts them upon our internal eſtabliſhment, is indiſpenſible, and ought never to be departed from or relaxed. The ſovereign power, which hath the care of the defence and ſtrength of the empire, ought never to permit any the moſt flattering idea of commercial opulence to come in competition with the ſolid ground of ſtrength and defence. In this way of reaſoning I find myſelf joined by you, who reaſon in the ſame way, and almoſt in the ſame words, when ſpeaking of the act of navigation you ſay, that, " al- " though it be not favourable to foreign commerce, or to the growth " of that general opulence which might ariſe from it, yet, as defence " is of much more importance than opulence, it is the wiſeſt of all the " commercial regulations of England". On the ground and deriving my reaſoning from the ſame principle, I ſay, that the monoply is of the ſame ſpirit; is not only wiſe, but is alſo neceſſary, and that it is not the monopoly, but the injudicious undiſtinguiſhing application of it, without that reaſon which alone can juſtify it, and in channels where it neceſſarily creates a round-about trade, which renders it diſadvantageous, not only to the colonies, but to the general community of the empire.

As no round-about trade, unleſs where the obliging the colony trade to ſubmit to ſuch, is neceſſary to the ſyſtem of defence, ſhould be occaſioned, but ſhould even, where it has taken place, be relaxed, ſo, on the contrary, * I have always thought, that a circuitous operation in the colony trade, as the think which of all others tend moſt to increaſe and extend the American markets for Britiſh manufactures, ſhould be allowed and encouraged, provided that trade in its circuition keeps its courſe *in an orbit that hath Great Britain for its center*.

Having thus ſhewn, ſimply to the point of ſtating the caſe, not arguing it, that a circuitous commerce and a round-about trade are two very different and diſtinct things, having very different operations and very different effects: having ſhewn that the circuitous trade is very advantageous, while a round-about trade is always detrimental, but that the circuitous commerce of the colonies is not that hurtful round-about trade which you treat as occaſioned by the monopoly, I will now proceed to examine, under their ſeveral heads, your application of the principles which you lay down in your analyſis, as what directs your ſynthetic reaſonings on the commercial inſtitutions which have taken place in the Britiſh œconomy.

* Vide Adminiſt. of the Britiſh colonies, Vol. I. C. VIII.

Although I perfectly agree with you, that the *reſtraints on the importation* of ſuch foreign goods as can be produced cheaper at home are uſeleſs; and that the laying reſtraints on the importation of ſuch as cannot be made ſo cheap at home, anſwers no good end, but may be hurtful; although I allow, that theſe meaſures, as a kind of inſtitution of monopoly in favour of internal induſtry in preference, or to the excluſion of the produce of foreign induſtry coming to it, does not always tend to encourage the home induſtry, but, on the contrary, gives a falſe turn to it, puts it on a falſe ground and profit, and may have the effect of forcing an unprofitable labour: yet I am unwilling to quit the principle of encouraging the firſt efforts of home induſtry, if employed on home commodities in the home market, as I think the principle, applied only in caſes where it is wanted, may be very beneficial; I had rather, in my notions of political œconomy, abide by the principle, and examine, upon each application of it, how it does or does not operate to encourage a profitable induſtry, ſkill and habit in peculiar branches of labour, which the ſociety has to learn, and which learnt will be profitable. If a ſociety, which once uſed to ſend abroad its rude produce to purchaſe manufactures made of that very rude produce ſo ſent out, and which it knew not how to work up, had never been, by ſome adventitious aid, over and above what the ſources of the firſt efforts of its induſtry could have given, encouraged to begin in trials of its ſkill; if the individual is not, while he is learning his trade, and the ſkill of working profitably in it, ſupported in part, he can never attempt to learn it; if the ſociety does not pay for the learning, it can never have it; although it be true at firſt that the *apprentice* (for by that name I will expreſs the firſt efforts of a manufacture) is not employed to the greateſt advantage, becauſe he might buy the articles which he is learning to make, cheaper than he can make them; although the community pays this difference; although theſe efforts, thus artificially forced, are at firſt diſadvantageous and unprofitable to the community: yet by his induſtry being ſo directed to, and ſo ſupported in a line of labour, which he could not naturally have gone into, nor could have ſupported himſelf by, theſe firſt efforts, which the community pays for, do by repeated exerciſe produce ſkill, which in time will work as well, and enable the home manufacturer (if his labour is *employed on native home rude produce*) to ſell as cheap, and ſoon cheaper, than the foreign workman and manufacturer; his labour then will become profitable to himſelf, and advantageous to the community of which he is a part. It was thus our woollen and hardware manufactures were firſt encouraged and ſupported; but the very ſame principle, and the ſame reaſoning upon it, hath always led me to a perſuaſion, that no aids of a monopoly in the home market, nor no bounties, can ever force a manufacture founded and *employed on foreign rude material*. It is an attempt, by robbing Peter to pay Paul, to eſtabliſh a trade,

the

the natural profit of which cannot ſupport the eſtabliſhment, and the loſs of which muſt be made up to it by payments from the ſociety at large. Againſt ſuch your principle, in the full force of its arguments, ſtands unanſwerable. Such is the linnen manufacture wrought on foreign line and flax; ſuch is the ſilk in ſome degree; this laſt, however, ſo far differs, as that rude material may be imported full as cheap as any rival country in Europe can raiſe it.

You think, the reſtraints upon the importation of live cattle and corn an unreaſonable and ungenerous monopoly, for that the grazing and farming buſineſs of Great Britain could be but little affected by a free importation of theſe, and not in the leaſt hurt. As, on the contrary, I think, any change in this part of our ſyſtem might be attended with the moſt important conſequences, eſpecially to a claſs of people who bear the chief burthen of all the taxes, and are the ſupport of the ſtate of the community. I own, I tremble for the change, and ſhould hope this matter may be a little more thoroughly explored, in all the effects of its operation, before any ſuch idea becomes a leading doctrine.

You have with clear and profound reaſoning * ſhewn, that in an improving ſtate of the community, the prices of cattle and of butchers meat, and the leſſer articles of the ſupply muſt ſtart, and continue to riſe until they come to ſuch a rate, as ſhall make it worth the farmer's while to cultivate the land, which he rents, to the purpoſes of breeding and feeding ſuch cattle, and to the raiſing theſe other articles for the market; this you properly call *the natural progreſs of improvement*, and theſe riſing values *the natural courſe of prices*. If a free importation of cattle and of theſe leſſer articles ſhould be allowed, this *adventitious ſupply* coming from countries which have great waſtes for breeding cattle, which do not pay ſuch heavy taxes, and which are not arrived at that degree of improvement in which this country is found, ſuch importation *muſt derange this ſcale of natural prices, and muſt arreſt this progreſs of improvement in its courſe*. If ſuch foreign country can breed and feed, and afford to import and bring to market cattle and theſe leſſer articles cheaper than our grazer can, the grazing buſineſs at home muſt ceaſe. Well—but ſay you, if under theſe circumſtances grazing will not anſwer, the land will be broken up for tillage. But here again, if a free importation of corn, on a like plan, derived from ſuch reaſoning on theſe principles, is, as you recommend, permitted, that branch of buſineſs, not capable of farther extenſion, and met at market by ſuch importation, will be at a ſtand, and finally become retrogade; we ſhall be obliged to give up all our improvements, and return to our waſtes and commons. In order to obviate in ſome meaſure theſe objections, a kind of diſtinction is made between the importation of lean and fat cattle. The

* B. I. C. II. Part III.

The importation of lean cattle would not, ſays the argument, hurt, but benefit the feeding farms. The breeding farms, however, would be ruined; and there is a link of connection, which ſo allies the whole progreſs of country buſineſs in one chain of intercommunion, that all in the end would ſuffer and be undone.

A ſecond palliative uſed to obviate theſe objections, which naturally ariſe againſt this idea of giving up our ſyſtem of reſtraints on importation of cattle,* is, that the importation of *ſalt proviſions* could never come in competition with the freſh proviſions of the country. To try how this would operate, let us ſuppoſe that the Victualling-Office, as the law now ſtands, is in the ordinary courſe of taking great quantities of cattle, and in the extraordinary demand which war occaſions, takes off a proportionate encreaſed number; this of courſe raiſes the price of the grazers ſales, and countervails, in ſome meaſure, with the landed intereſt, the burthen of the encreaſed taxes. But if a free importation of ſalt proviſions is to take place as a ſettled ſyſtem, the Engliſh grazer, while the war encreaſes his burthens, and raiſes the price of every article which he purchaſes, is himſelf met at the market by a competition brought againſt him from a country that does not bear this encreaſed burthen; and he cannot therefore find that *natural ſcale of price*, which the maintenance of his buſineſs and relative ſtate in the country requires; he muſt be ruined, and the land ſoon rendered incapable of paying its rents, and of raiſing thoſe very taxes.

In the ſame train of reaſoning you think, that a free importation of corn could very little affect the intereſt of the farmers of Great Britain, becauſe the quantity imported, even in times of the greateſt ſcarcity, bears ſo inconſiderable a proportion to the whole ſtock raiſed. From this argument, founded in fact, you think the farmers could have nothing to fear from the freeſt importation; and you reproach them on the account of the ſyſtem of reſtraint againſt free importation of corn, as forgetting the generoſity which is natural to their ſtation, in demanding the excluſive privilege of ſupplying their countrymen. If here, Sir, you had weighed well a diſtinction which Monſ. Necker † has, with exquiſite preciſion, explained, you would have ſpared this reproach. It is not the ratio of the quantity of corn exported or imported, and the quantity of the whole ſtock raiſed, but the ratio between the *ſurplus* and this quantity exported or imported, which creates the effect; it is not a ratio of $\frac{1}{577}$, but a ratio of $\frac{1}{15}$, which acts and which operates on the market; it is not the $\frac{1}{577}$ part, but the $\frac{1}{15}$th part which would operate to the depreſſion of the market and the oppreſſion of the farmer.

Chearful under the burthen of the taxes, and ſpiritedly willing to pay them in ſupport of his country, he only wiſhes to enable himſelf to do ſo from his induſtry, and the natural profits of it at his own market, without having that market

* Vol. II. P. 41.

† Sur la Legiſlation & le Commerce des Graines.

market loaded from an external ſupply, and depreſſed by a competition from countries which are not in that ſtate of improvement, and do not pay thoſe taxes, which he muſt add to his price, if he is to live and pay them; he does not deſire the *excluſive* ſupply, but a fair and equal market on the natural ſcale of prices, which ſhall give vent to his ſupply; this ſurely he may do without reproach. On the contrary, were it poſſible to ſuppoſe that the country gentleman could be perſuaded to change the ſyſtem, and give up the ſecurity which the reſtraint on importation gives him in his intereſt, he would deſervedly incur the real reproach of having loſt that practical ſenſe, which the country gentlemen have always hitherto been found to have, when they come to real buſineſs.

But I think you rather miſrepreſent our ſyſtem of reſtraint on importation of corn; it does not abſolutely prohibit corn from being brought into the country, and does not eſtabliſh *an excluſive ſupply* in the country land-owner; it only reſtrains ſuch an importation as may either in quantity or price injure the free and fair vent of our own ſupply in our own market, at ſuch prices as the general ſtate of the improvement of the community and the ſcale of prices, which is the natural conſequence, require.

From the conſideration of our reſtraints on importation of corn, whoſe operations act as a bounty, you proceed to the conſideration of the direct BOUNTY which our ſyſtem gives *on the exportation of corn*, to which you make the like, but ſtronger objections. As you ſeem on this ſubject to have adopted the reaſoning which * Mr. Necker uſes, and to have copied it cloſely; and as his book, as well as your's, will carry great authority with it, I will in this place examine both your objections *enſemble*.

Contrary to the common uſe made of the popular argument in favour of the meaſure, you both ſay, the meaſure has a direct tendency *in the inſtant* to raiſe the price of corn in the interior market, and to enable the merchant to introduce it into the foreign market at a lower price. What you ſay is fact, and the truth rightly underſtood; and yet while this meaſure encourages a plenty, overflowing with a conſtant ſucceſſion of ſurpluſſes, it hath a tendency, *in a ſeries of times taken together*, to lower the price. That our meaſure of the bounty has not been the ſole cauſe of lowering the price of corn, Mr. Necker gives a deciſive proof in fact, which you † copy. That the general lowering of the price of corn is not owing to the Engliſh meaſure of *the bounty on exportation*, is (he ſays) plain, becauſe the ſame general lowering of the price has taken place in France in the ſame period, where a direct contrary ſyſtem, *a total prohibition of exportation*, hath invariably prevailed till very lately. You add to his argument an aſſertion, "that it raiſes however *not the real but nominal price only*, "and is of no uſe to the landed intereſt." There is perhaps (you ſay) but one

* Sur la Legiſlation & le Commerce des Graines. † Vol. I. P. 248.

ſet of men in the whole commonwealth to whom the bounty either was or could eaſily be ſerviceable, theſe are the corn-merchants; it loads (you add) the publick revenue with a very conſiderable expence, but does not in any reſpect encreaſe the real value of the landed man's commodity.

Mr. Necker has alſo ſaid that the bounty is not neceſſary; for if there be a ſurplus, and the foreign market wants it, it will have it without the aid of the bounty. The difference only is, that if the merchant finds that he cannot export it at the price of the Britiſh market, ſo as to carry it to the foreign market, he muſt wait till it falls in price in England, or riſes in the foreign market, as many ſhillings per quarter as the bounty would give: *then* he will be equally able to export it *without* as *before with* the bounty. In a corollary of which argument you join him in ſaying, as he had ſaid, that if the ſurplus quantity may be, by the aid of the bounty, thus exported when corn is at a high price, the ſurplus of a plentiful year will always ſo go out, as not to come in aid to relieve the ſcarcity of a defective one.

After having (in a manner indeed which rather has reference to the effect it might have in France) reprobrated the meaſure of granting a bounty on the exportation of corn, he gives an opinion, in which I own I was ſurprized to find you following him; that if an encouragement is neceſſary to agriculture, it ſhould be given *not on the exportation, but on the production.*

I will firſt ſtate what I think to be the real operations and end of the bounty on corn exported, and then conſider the poſitions above, not by way of reply, but by compariſon on fair examination, mark wherein they deviate and differ from the real ſtate of the caſe.

Any country riſing in that progreſſive ſtate of improvement, by which England for near a century hath been riſing, muſt have experienced *a continued influx of riches*; that continued influx muſt have and hath created *a continued progreſſive riſe of prices.* If the continuation of the influx was arreſted in its courſe, however great *the quantity of* riches which hath come in, however great the glut of money; yet, after it hath ſpread itſelf in all parts, and found its general level, *all* prices will be proportionably raiſed; the original proportions which they held, before the ſtart of prices, will be reſtored; all therefore, however high, will be but *nominal,* and a greater or a leſs quantity of the precious metals will be totally indifferent; but the caſe is very different, while the influx is in continuance. During its operation it ſtarts the prices of things, but of different things with very different velocity in the motion of the riſe. Objects of fancy, caprice, luxurious uſe, and the leſſer articles of food, which bore little or no price, while the neceſſaries muſt always have born a certain price, even what may be called a high price in a poor and unimproved ſtate of the community, will, when the progreſſion of improvement begins, ſtart firſt in price, and with a velocity that will continue to *forerun* the velocity of riſe in the price of neceſſaries.

neceſſaries. The relative proportion of the ſcale of prices being changed, the difference of the prices is real, and corn will be always laſt and loweſt in the ſcale. Although the price of corn may and will riſe, yet not riſing in proportion to other things, and the rents of land and the wages of labour depending on the price of corn, the price of every other thing muſt not only riſe before rent and wages can ſtart in price, but muſt continue *ſo to forerun* in their riſe, that the landed man and labourer muſt be in a continued ſtate of oppreſſion and diſtreſs: that they are ſo in fact, the invariable and univerſal experience of all improving countries, actuating manufactures and trades, demonſtrates. In the end all muſt equally partake of the general proſperity; corn muſt riſe in price; rents muſt riſe; wages muſt be encreaſed: but during the continuance of the influx there muſt be a partial diſtreſs, which, although relative, is not the leſs but the more aggravated from being relative, others being in the actual enjoyment of a proſperity which the landed man can but look up to and hope for in the end. If the operation was ſhort, and if the influx ſoon ſpread itſelf into a level, it would not be of much moment in what order the ſcale of prices aroſe. In a country where the land-workers and owners are few, in proportion to thoſe employed in trade and commerce, as in rich commercial countries of ſmall extent, there this effect is ſoon produced; there the landed intereſt cannot ſuffer much from the diſproportionate velocity of the riſe of prices, however accelerated; but in a trading and commercial country, *of large extent*, the ſpreading and level of the inflowing riches muſt be an operation of ſo long time, and the effect ſo far removed from the firſt cauſe, that the land-worker and owner can never receive a proportionate relief, much leſs the benefit of an equable ſcale of prices, *while that cauſe is in operation*. If the influx be a continued encreaſing operation, the ſcale will always be aſcending. In a country circumſtanced as thus deſcribed, if the legiſlator is ever to intermeddle, or can ever do any good by meddling in theſe matters, his interference ſhould be directed to relieve this oppreſſed order and claſs of the community. The Engliſh meaſure of the bounty does this, by aiding in its firſt effect the relative, and therefore *real price* of the produce of the land *without obſtructing the natural effects* of the advancing and improving ſtate of the community. It relieves the relative diſtreſs, which the acceleration of the inflowing of riches occaſions to the land-worker; it helps to accelerate the riſing of the price of his commodity, and in ſome meaſure guards them from a greater diſtreſs, which they would otherwiſe feel: as it is, the traders and merchants eat out the landed man: they do ſuffer, but much leſs than they would do. In a country of this ſort the velocity of the influx of riches (eſpecially if *an artificial influx* by paper money is added to the real one) may have even too much acceleration, if care is not taken at the ſame time to accelerate alſo the diſtribution of theſe riches into every channel and duct. In ſuch a country as England, but more eſpecially in France,

France, if commerce be encouraged by the force of any artificial ſpring, if a diſproportionate and * *more than natural* influx of riches comes in upon it, how much ſoever (when this influx may in the end have taken its whole effect and ſpread itſelf into a level) the land and labourer muſt neceſſarily ſhare in the general proſperity, yet if care is not taken to give acceleration to the motion of the landed intereſt, in ſome proportion to the motion of the advance of commerce, and the influx of riches, the landed intereſt muſt remain under a continued depreſſion of circumſtances. Under this relative depreſſion the land-worker, while he is buying every thing he wants at an advanced price, requires ſome adventitious force or ſpring to aid the velocity of the riſe of the price of his commodity which he hath to ſell. The wiſdom of our anceſtors, men of buſineſs, acting not from ſelfiſh and ungenerous motives, not from any jealouſy of commerce, but from feeling and experience, gave this very encouragement, and gave it, in the very way in which it could have the trueſt effect; in which it could do the leaſt harm, and the moſt good. They encouraged the land-worker without checking the operations of commerce, or retarding the progreſs of improvement: and while in the direct inſtant they effected by the bounty a riſe of price to the ſaleable commodity of the land-worker, and gave that encouragement, which was thus become neceſſary; yet they ſo gave the bounty, as that in the remote effect it would prevent the enhancing of the general price, becauſe the bounty encouraged the raiſing not only a ſurplus, but a ſucceſſion of ſurpluſſes. They converted theſe ſurpluſſes even of our food into an article of commerce, and encouraged, and made it the intereſt of the corn merchant to trade with it in every part of the world.

Thus acted the homely underſtanding of the country gentlemen *upon practice*; men of refined and great abilities, ſpeculating in the cloſet, *decide upon theory*, that it would have anſwered the ſame ends better to have given the bounty *not on exportation, but on production*.

As the bounty on exportation goes only to the ſurplus exported, and as a bounty on production muſt have gone to the whole quantity raiſed, which meaſure do you, who made the objection, think would load the publick revenue moſt? But unleſs there was an aſſured conſtant vent by exportation of any ſurplus that ſhould be raiſed, ſuch a bounty as you and Mr. Necker recommend, would never encreaſe the quantity, or raiſe a ſurplus, (for ſay you, B. IV. C. V. P. 123) " unleſs the ſurplus can in all ordinary caſes be exported, the " grower will be careful never to grow any more than what the bare con-

* Either by an undue creation of paper motion, or by the bringing in great quantities of money amaſſed by conqueſt or by rapine, as was the caſe in Rome, by the money brought from Aſia; as was the caſe in Britain, by the money brought from Indoſtan.

ſumption

" ſumption of the home market requires, and that market will be very ſel-
" dom overſtocked, but will be generally underſtocked." To what end, ſay I, ſhould the farmer work; it would be only making to himſelf work, to loſe profit; for the more he raiſed, the leſs would be the price.

On the contrary, the bounty on the exportation, at the ſame time that it doth (as you and Mr. Necker juſtly obſerve) actually and directly raiſe the price of the commodity, it raiſes (I ſay) *not the nominal* but the *real* price, for it brings that price which was *relatively* too low, nearer to the level of the general ſcale of prices: At the ſame time that it is (as you truly ſay) ſerviceable to the corn-merchant, it enables him, without lowering the price of corn below the rate at which the farmer in the country can afford to produce it, to throw it into the general circulation of the commerce of Europe at an average rate which ſuits that commerce. This tends to encreaſe, and does encreaſe the quantity raiſed, and yet preventing on one hand a diſcouraging fall, or a diſproportionate inhancement of price on the other, keeps that price equable; and by creating a ſucceſſion of ſurpluſſes, obviates your fear, that the exportation of the ſurplus of the plentiful year ſhould prevent the uſe of a ſurplus, which ſhould relieve, and come in aid to, the defects of a ſcarce one; for it doth actually, by the ſucceſſion of ſurpluſſes, which the high prices of the home market will always firſt command, provide againſt ſuch ſcarcity, which point the regulations in the permanent corn law, of the 13th of G. III. on this head do ſtill more effectually ſecure.

Let us now try how your's and Mr. Necker's objections to the Engliſh meaſure of granting a bounty on corn exported bear againſt theſe operations.

Let us try Mr. Necker's firſt objection, viz. that it is a meaſure unneceſſary, becauſe, ſays he, if there be a ſurplus which the foreign market wants, it will take it off, as ſoon as the home price falls, or the foreign prices riſe, as many ſhillings in the quarter of corn as the amount of the bounty comes to. We ſhall find, that if no ſurplus of wheat, for inſtance, can go out and flow in the channels of the European market, at a higher price than 32 ſhillings per quarter, (the general average price of wheat in Europe) there will be no ſuch ſurplus; the farmer, in the preſent improved ſtate of England, loaded at the ſame time as it is with taxes, cannot afford to raiſe wheat at that price: And if the Britiſh merchant did wait till the Engliſh wheat did ſink to that price, he might better never export it; he would find, that the Dutch, Hambrough or Dantzic merchant had got to market before him, and had foreſtalled it. On the other hand conſidering that, at the very loweſt eſtimation, the farmer cannot raiſe wheat at a lower average rate than 37 ſhillings per quarter, the bounty adds the five ſhillings, per quarter, which is juſt ſufficient on one hand to enable the merchant to give the farmer a living price, and on the other to carry it to the foreign market at the average rates of that market; ſo that if the encouragement of the farmer, and of the ſupply be proper, and if " the buſineſs of the corn-mer-

" chant be in reality that trade, (as you ſay) which, if properly protected and " encouraged, would contribute the moſt to the raiſing of corn."* This meaſure of a bounty on export is every way not only beneficial, but neceſſary: although you have ſaid, in one place, that it is ſerviceable to the corn merchant *only*, yet in this view you yourſelf find, that this trade of the corn merchant " will ſupport the trade of the farmer, in the ſame manner as the " wholeſale dealer ſupports that of the manufacturer."

The next objection in which you and Mr. Necker join, is, that the doing any thing to raiſe the price of *corn* (as you expreſs it, of *ſubſiſtance*, as Mr. Necker rather more logically) in the home-market, muſt of courſe raiſe the expence of our manufactures, and give advantage to the rival manufactures of every part of Europe againſt us. This objection takes riſe from a total miſ-ſtating of the caſe.

If corn was the firſt article which ſtarted in price, ſo that all other commodities followed it, then indeed both your poſitions would be true; firſt, that ſo far as reſpects the home market, we ſhould only raiſe the *nominal* price, for all riſing proportionably, there would be no alteration in the *ratios of the ſcale:* this would therefore be of no uſe to the farmer on one hand, but by raiſing *all the articles of ſubſiſtance and ſupply*, our manufactures muſt become too dear for the average rates of the general market. But the contrary is the fact. Corn is the laſt of all the articles of the market which ſtarts in its price, and riſes always with the ſloweſt motion. It is only in conſequence of all other commodities having ariſen, that a riſe in this becomes neceſſary, and when it does begin to riſe, it follows with ſuch unequal motion, that ſome encouragement becomes neceſſary, as a ſpring to aid the velocity of its riſe in proportion to other things. It is not the riſe of the price of corn, but the general improved ſtate of the country, raiſing the rates of all things, and the burthen of taxes ſucceſſively accumulated, which raiſes the price of our manufactures. On the contrary, encouraging the raiſing of corn by a good price in the direct inſtant, creates a plenty: a plenty, with a ſucceſſion of ſurpluſſes, keeps down the price, taken in a general ſeries of times; and in ſome meaſure it tends alſo to lower the price of manufactures, by the number of hands which plenty of ſubſiſtance, if I may ſo expreſs myſelf, always creates.

Seeing then nothing narrow, invidious, ſelfiſh, or ungenerous in our ſyſtem of reſtraints and bounties on our corn trade, conſidering it as a neceſſary, wiſe and beneficial ſyſtem, interwoven into the general œconomy of our agriculture, manufactures and commerce: perſuaded that a certain ſober conviction of experience, ariſing from practice, firſt ſuggeſted the truth, I cannot but hope, that the ſame wiſdom which gave the bounty, will operate with the country gentlemen, to doubt every ſpeculation of cloſet doctrine,

* B. IV. C. V. P. 126.

trine, and to oppoſe, on every occaſion, every the moſt diſtant attempt to lower, or to confine within narrower limits this bounty.

You have made ſeveral obſervations on, ſome objections to, and give rather a haſty and ſummary judgment on the general ſyſtem of our corn laws; I have made ſome remarks on theſe parts alſo, but I ſhall reſerve theſe to another place, where I ſhall have occaſion to examine all the regulations relative to the ſupply of the community with bread-corn, and to the manner in which the ſurplus of that ſupply is converted into an article of commerce.

I will now proceed to the conſideration of your opinions and doctrines reſpecting the *monopoly of the colony trade*.

You allow, * " this colony-trade to be very advantageous, though not by " means, yet in ſpight, of the monopoly, and that the natural good effects " of it more than counterbalance to Great Britain the bad effects of the mo- " nopoly; ſo that, monopoly and all together, that trade, even as it is car- " ried on at preſent, is not only advantageous, but greatly advantageous." Although you allow this, yet while you conſider our colonies " rather as a cauſe of weakneſs than of ſtrength", " as a ſource of expence not revenue"; while you ſay, that † " the invidious and malignant project of excluding other nations from any ſhare" in our colony-trade depreſſes the induſtry of all other countries, but chiefly that of the colonies, without in the leaſt encreaſing, but on the contrary diminiſhing, that of the country in whoſe favour it is eſtabliſhed; that, in order to obtain a relative advantage, that country not only gives up an abſolute one in this trade itſelf, but ſubjects itſelf to both an abſolute and relative diſadvantage in every other branch of trade wherein this monopoly does not operate. While you ſay this, you conclude, ‡ " that " under the preſent ſyſtem of management, Great Britain derives nothing " but loſs from the dominion which ſhe aſſumes over her colonies." In conſequence of this doctrine, you are not only for breaking up the monopoly, but for a diſmemberment of the empire, § by giving up the dominion over our colonies. This prompt and haſty concluſion is very unlike the author of " the Treatiſe on the wealth of nations," it ſavours more of the puzzled inexperience of an unpracticed ſurgeon, who is more ready with his amputation knife, than prepared in the ſkill of healing medicines. If we loſe our colonies, we muſt ſubmit to our fate; but the idea of parting with them on the ground of ſyſtem, is much like the ſyſtem which an ironical proverb recommends, " *of dying to ſave charges*". When ſuperficial importants talk, write, or vend ſuch their idle crudities, one is not ſurprized; unworthy of notice they are neglected: but when a man, who, like yourſelf, hath joined practical knowledge to the moſt refined ſpirit of ſpeculation, can ſuffer himſelf ſo to be miſlead, an examination of thoſe ſpeculations, or at leaſt of their conſequences, as they lead to practice, is due to him and to the world: I will therefore examine your objections to the monopoly, and the

* B. IV. C. VII. P. 194. † Ibid. P. 196. ‡ Ibid. P. 224. § Ibid. P. 224.

the reaſoning whereon you found them, by the actual operations and effects of this colony-trade, acted upon by this monopoly.

But firſt I cannot but obſerve, that a round aſſertion, "that our colonies "have never yet furniſhed any military force for the defence of the mother "country, and that they have been a cauſe rather of weakneſs than of "ſtrength", is ſuch as ſhould have followed only from a deduction of facts: and I will beg leave to ſuggeſt to you ſome facts that induce me, and may perhaps you alſo, to be of a very different opinion. That very naval force, which by their armed veſſels they are now ſo deſtructively exerting againſt our Weſt-India trade and tranſports, they did very effectively in the two late wars, eſpecially in the laſt, exert to the ruin of the Weſt Indian commerce of France and Spain, and to the almoſt total obſtruction of all communication of thoſe countries with their reſpective colonies. If you have not heard of what they did then, judge of it by what they are able to do now, againſt the whole undiverted power of their mother country.

The mother country, with her own immediate force, muſt always meet the immediate force of its enemies, wherever exerted. If therefore France ſent its European forces to America, Great Britain, with her European force, muſt meet them in that field. If the ſtrength of our colonies, exerted againſt the colonial ſtrength of France or Spain was effective; or if it was ready to ſerve where it could beſt ſerve, and where moſt wanted; if it was not only equal to its own defence, but did act againſt the enemy offenſively alſo, with effect, it did bring forth "a military force for the defence of the mother country." The military force of the province of Maſſachuſett's Bay not only defended the dominions of the mother country in that province, but for many years exerted itſelf in defending Accadia or Nova Scotia. In the war which ended by the peace of Aix la Chapelle, the military force of that province took Louiſburg and Cape Breton, an acquiſition which purchaſed for the mother country that peace. So far as my aſſertion may go in proof, I will venture to aſſert, that had France during the laſt war effectuated a landing in Great Britain, and had been able to maintain themſelves there until an account of it ſhould have arrived in New England, I ſhould have been able to have brought over, or ſent from the province, Maſſachuſett's Bay (perhaps joined by Connecticut alſo) "a military force "for the defence of the mother country".

On the point of revenue, I will alſo beg leave to repeat, becauſe I have now ſtill ſtronger reaſon for it, an aſſertion which I made in parliament, that before we went to decided war, a revenue might have been had upon compact, on terms which would have eſtabliſhed the conſtitutional ſovereignty of this country, regulating at the ſame time the trade and naval powers of the colonies, if thoſe terms might have gone, at the ſame time, to the ſecuring the rights of thoſe colonies as granted by the government of that mother country,

country. As to the ways and means of coming at the *grounds of agreement*, and the nature of that revenue and compact, an explanation never will be withheld, if ever again events ſhall render them practical. The colonies did always raiſe a revenue in ſupport of that eſtabliſhment of internal government, which the mother country had ſet over them; I do not ſay that I approve the manner in which they applied it. As to their raiſing, while *under a ſtate of minority*, farther taxes, *except port duties*, for the *external purpoſes of the empire at large*, I will give no opinion, but ſubmit it to your judgment, who have thoroughly conſidered the different fructuation of ſurplus produce expended in revenue, or veſted in circulating capital, for further improvements, which further extend the Britiſh market in America, to decide, which of the two were, in that ſtate, moſt beneficial to the mother country. I reaſon here in the line in which you conſider the ſubject, the line of political œconomy, not of adminiſtration of government.

Your objections to the monopoly endeavour to prove, that, in *the invidious and malignant project* (as you ſtile it) of excluding as much as poſſible all other nations from any ſhare in the trade of our colonies, Great Britain ſacrifices, in a great degree, an abſolute advantage, to enjoy in a leſſer degree a relative one: that if the trade had been free and open, the induſtry of the colonies would not only have been leſs cramped, but the ſource of all the advantages deriving to Europe, from the ſettlement of Europeans in America, would have been more abundant and more productive of advantage: and that, although Great Britain had ſacrificed a relative advantage which ſhe derived from the excluſive trade, ſhe would yet have had a greater abſolute advantage; as an explanatory proof you inſtance in the monopoly of the article of tobacco. The market opened for this article would, you think, *probably* have lowered the profits of a tobacco-plantation nearer to the level of a corn-farm; the price of the commodity would *probably* have been lowered, and an *equal quantity* of the commodities, either of England or of any other country, might have *purchaſed a greater quantity* of tobacco than it can at preſent. I will ſuppoſe with you, that by this new arrangement, and the conſequential *new ratio in the ſcale* of prices betwixt Europe and America, that Great Britain as well as other countries would have derived a great abſolute advantage: yet as theſe other countries would have derived the ſame advantage from our colonies, this fancied abſolute advantage could be but merely *nominal*; for although England thus got more tobacco for a leſs quantity of Britiſh commodities, yet as other countries alſo got the ſame on the ſame terms directly from Maryland or Virginia, what Great Britain thus got would not only be leſs in value, but would run the riſque of being a drug upon her hands. In giving up therefore the relative advantage which ſhe enjoyed by her excluſive trade, *while ſhe gained a nominal*, ſhe would loſe every *real* advantage. Beſides, there is ſurely ſome management to be obſerved in the culture of an article of produce, whoſe con-

ſumption hath ariſen from whim and caprice into an habitual, but not a neceſſary uſe: inſtead of encouraging an unbounded produce of this, it were beſt, *probably*, that it ſhould be limited. I am ſure it is an abſolute advantage to Great Britain, that Virginia and Maryland ſhould find it moſt to their advantage to cultivate tobacco, rice, indico, or any other exotick commodity, than that by bringing the profits of a tobacco-plantation nearer upon a level with thoſe of a corn-farm; they ſhould find their advantage in raiſing corn to the rivalling us at the European markets in our home commodity, and to the depreſſion of our agriculture. So far therefore as this argument goes, it demonſtrates to me, at leaſt, that by quitting the relative, *a real* advantage, we ſhould not even gain a *nominal* advantage, but ſhould run every riſque of loſing every advantage, both relative and abſolute, real and nominal, which is to be derived from this ſource reſtrained, and at the ſame time of ſetting up a rival culture againſt our own agriculture. If you ſee the matter in this light in which it appears to me, you will, I am ſure, feel how dangerous it is to vend theſe novelties of ſpeculation againſt the ſober conviction of experience.

Your argument goes on to ſtate, that there are *very probable reaſons for believing*, that although we do ſacrifice this abſolute advantage (which would, *it is ſuppoſed*, probably be drawn from a free and open trade) for a narrow mean relative advantage; yet we do not poſſeſs even this relative advantage, without ſubjecting ourſelves, at the ſame time, both to an abſolute and to a relative diſadvantage in almoſt every other branch of trade of which we have not the monopoly.

It ſtrikes me as material, and I am ſure, therefore, you will excuſe me making, in this place, one remark even *on the manner* of your argument, and how *you ſtretch your reaſoning nicely*. You in words advance upon the ground of *probable reaſons for believing* only, you prove by probable ſuppoſitions only; yet moſt people who read your book, will think you mean to ſet up an abſolute proof, and your concluſion is drawn as though you had.

You proceed to deſcribe theſe abſolute and relative diſadvantages.

The monopoly of the colony trade, wherein the Engliſh merchant was enabled to ſell dear and buy cheap, gave a rate of profit in that trade much above the level of profit in any other, and would therefore never fail of drawing capital from thoſe other branches into this, as faſt as it could employ ſuch. This double effect of drawing capital from all other branches of trade, and of raiſing the rates of profit higher in our internal trades than it would otherwiſe have been, aroſe at the firſt eſtabliſhment of the monopoly, and hath continued ever ſince. Having thus ſtated the effect, you proceed to prove them to be bad and diſadvantageous.

By drawing, not through the natural effects of trade, but by the artificial operations of the monopoly, capital from other trades, and other branches of trade in Europe, which were greatly advantageous both in a commercial and

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in a political view, this monopoly, it is *probable* (you ſay) may not have occaſioned *ſo much an addition* to the trade of Great Britain, *as a total change in its direction.*

Firſt, as to the aſſertion, that capital has been drawn from certain trades and certain branches of trade in Europe, and turned by the monopoly into the colony trade, which without this would not have been ſo diverted; that (I anſwer) is a matter of fact, which muſt not be eſtabliſhed by an argument, *à priori*—but on an actual deduction of facts. As I did not find the latter in your book, I looked into the only records which we have of the progreſſive ſtate of our commerce, in a * ſeries of returns of the imports and exports of Great Britain, as made to parliament. I cannot aſcertain in our European trade that fact which your theory ſuppoſes. The tides and currents of commerce, like that of the ocean over which it paſſes, are conſtantly ſhifting their force and courſe, but this comes not up to your fact. I find no deprivation, but an encreaſed ſtate of our European trade; and at the ſame time an immenſe multiplied encreaſe of our colony trade, and of every branch of commerce connected with it. Suppoſing, however, that this fact was true, that there hath been a *total change* in the direction of our trade, by drawing capital from ſeveral of the European trades, and by employing more of our general capital in the colony trade than would naturally have gone to it, had all trade been free and open: yet that ſuppoſition will never, againſt fact, prove, that this monopoly thus employing more capital in, and deriving more profits from the colony-trade, hath occaſioned a privation or advantage to the trade of Great Britain in general—Fact contradicts that poſition. Well, but as Great Britain cannot have ſufficient capital to actuate all, it muſt occaſion a privation in ſome of the branches of its trade; for, although there may not be an abſolute decreaſe in certain branches, there is a relative one, as they have not increaſed in the proportion in which they would have done. This is again argument, *à priori*, in matters of fact, wherein it cannot act as proof; however, for the ſake of your argument we will even ſuppoſe it, and aſk the queſtion, what then? To which, in my way of reaſoning, I ſhould anſwer, that as in the diviſion of labour no one man can actuate all the branches of it, ſo in the diviſion of the commerce of the world, no nation nor no capital can carry on all the branches of it in every channel in which it flows. That country then which, while it does leſs in thoſe branches of trade wherein leaſt is to be gotten, but has the command in that which exceeds all others in profit, doth ſurely draw the greateſt poſſible advantage from commerce. This part then of your argument proves to me, aſſiſted by the reaſoning which you uſe in other parts of your work, the very reverſe of the concluſion which you here draw from it:

You

* A very uſeful collection, publiſhed by Sir C. Whitworth, M. P.

You ſay in the next place, that this monopoly has contributed to raiſe and keep up the rates of profit in all the different branches of the Britiſh trade higher than they would naturally have been, or, which is the ſame thing, to prevent them from falling ſo low as they would otherwiſe have fallen; and that this forced height of profit hath ſubjected the country, where it takes effect, both to an abſolute and to relative diſadvantage in every branch of trade, in which it has not the monopoly. I could here anſwer in general by your own reaſoning, as you uſe it in the caſe of the profits of grazing and corn land; as when the ſtate of the community is ſuch, that it occaſions a greater call for, and conſequently a greater profit on the one than the other; that other will ſoon be converted into the one which is in demand, and will give the greater profits, till both come to a level: ſo in commerce, under whatever regulations, either thoſe which the natural wants or the political inſtitutions of men eſtabliſh, it is carried on, will always ſhift about, and endeavour to flow in thoſe channels wherein moſt profit is to be had. That country then which is under thoſe fortunate and powerful circumſtances, and has the wiſdom ſo to profit of thoſe circumſtances, as to be able to maintain a monopoly of the moſt profitable channels; and be able to maintain, at the ſame time, (notwithſtanding the clog of its high rates of profits) a ſhare of other branches of trade, even where it is underſold, has ſurely acquired *that aſcendency in trade and commerce*, which is always better underſtood than explained. But I will not reſt within theſe entrenchments, I will meet your argument in your open field.

You ſay *, that in conſequence of theſe high rates of profit, under which our commodities and manufactures muſt be brought to market, we muſt in our foreign trade "both buy dearer and ſell dearer, muſt both buy leſs and "ſell leſs;" but I deny the conſequence, "that we muſt profit leſs," † becauſe, although thoſe high rates may confine the extent, yet raiſing the profit of the dealing, we enjoy as much, and produce in trade as much, as if we did more buſineſs of leſs profits: all is kept equal and level as to the foreign trade, and our colony trade goes on, the mean while, in a ſtill more rapid proſperity. Your concluſion therefore, "that it is in this manner that the capital of Great "Britain has partly been drawn, and partly driven from the greater part of the "different branches of trade, of which ſhe has not the monopoly; from the "trade of Europe in particular, and from that of the countries which lie "round the Mediterranean ſea," is neither deducible from your argument, *à priori*, nor will you find it juſtified by fact

Yet again that we, who think well of the monopoly, may not derive any ſupport from thinking, that as the colony-trade is more advantageous to Great Britain than any other, ſo the capital being forced into that channel, is of more advantage to the country than if employed any other way. That we may

* P. 201. Vol. II. † P. 219. ibid.

may not avail ourſelves of this comfort, you proceed to ſhew it to be "a na-
"tural effect of this monopoly; that it turns our capital from a foreign trade
"of conſumption with a neighbouring into one with a more diſtant country;
"in many caſes from a *direct trade* of conſumption *into a round-about one*,
"and in ſome caſes from all foreign trade of conſumption into a carrying one."
And as in the analytick part of your work you have ſhewn, that the direct trade of conſumption, eſpecially that with a neighbouring country, maintains the greateſt quantity of productive labour, by the direct and frequent returns of its capital; that a round-about trade is always leſs advantageous, and the carrying ſtill leaſt ſo of all; you draw your concluſion, that therefore the operation of the monopoly, thus acting, turns our capital into channels where it employs leſs productive labour than it would naturally have done, if the trade was left to its free and natural operations. By your firſt poſition you mean, that it hath turned the capital from the European trade to the North American and Weſt Indian trade, from whence the returns are leſs frequent, both on account of the greater diſtance, but more eſpecially on account of the peculiar circumſtances of America. An improving country, always dealing beyond their capital, muſt wait to pay their debts by their improvements, by which means, although the merchant may repay himſelf by the profit he puts upon his goods, and by other means, yet the capital of Great Britain is detained and withheld; and, thus detained, prevented from maintaining ſuch a quantity of productive labour as otherwiſe it would do. In anſwer to this ſtate of the argument (which I hope I have ſtated fairly) I ſay, that that part of our capital, which is ſo withheld in America, and does not return directly, is not withheld unprofitably to Great Britain: like that portion of the harveſt which is detained for ſeed, it is the matrix of a ſucceeding and encreaſed production; by operating to advance ſtill farther theſe improvements, and conſequently the population of theſe countries, it is *creating and extending a new market*, whoſe demands for our productive labour calls forth that labour faſter and to more advantage, than the ſame capital directly returned and veſted in Britiſh goods could do; as it encreaſes this market in a conſtant progreſſion, it calls forth more *manufacturers*; gives a ſpring to *agriculture*; and extends the *commerce* of Great Britain.

Well but, ſay you, "ſecondly, the monopoly of the colony-trade has, in
"many caſes, forced ſome part of the capital of Great Britain from a direct
"foreign trade of conſumption into a round-about one." Wherever it does ſo, that is an error in the ſyſtem, it ſhould be corrected and amended, ſo far as is conſiſtent (as I ſaid above) with the eſtabliſhment of the unity of empire in all its orders and ſubordination of orders. I have in a former part of this letter, and many years ago on other occaſions, pointed out ſome of theſe errors and their remedy; but I muſt beg here to apply thoſe diſtinctions, which, in my remarks on the analytick part of your work, I ſhewed to exiſt in nature and fact, *between a circuitous and a round-about trade*; and to obſerve, that where

your objections are pointed againſt the circuitous operations of our colony-trade, they do not act with effect; for theſe are always advantageous, and ſhould be even more encouraged than they are. Such a ſeries of ſuch circuitous operations as create and extend the market, accumulating by each operation a freſh profit, return home not only (by this accumulated capital) with the means of employing more manufacturers, but with having created * an encreaſing demand for more and more manufactures. The encreaſing market of our improving colonies, ſtill more and more rapidly improved by the circuitous trade, muſt, while we have the command of that market, multiply Britiſh manufacturers: theſe manufacturers thus multiplied, † "conſtitute (as "you ſtate it truly) a new market for the produce of the land, the moſt advantageous of all markets, the home market, for corn and cattle."

Another objection yet remains, that in many caſes the colony-trade becomes, by means of the regulations of the monopoly, merely a *carrying trade*. This carrying trade, which you deſcribe as a defect, would be ſo, if the carrying was the only part in which our capital was employed, and the hire of the carriage the only profit that we derive from it; but inſtead of that, joined as it is with the circuitous trade, it becomes, in a political as well as a commercial view, a beneficial part of the operations which employs our own ſhipping.

Having gone through your argument of objection, you cloſe with ſome corollary obſervations, as deriving from it. You think, that the unnatural ſpring applied to the colony-trade, has deſtroyed the natural ballance which would otherwiſe have taken place amongſt all the different branches of Britiſh induſtry, and that the direction of it is thus thro[illegible] nel. The idea then of a blood veſſel, artificially ſwelled beyond its natural dimenſions, ſtrikes your imagination, and you are brought under an apprehenſion of ſome terrible diſorder. As this diſorder did not ſeize Great Britain in the caſe you ſuppoſed, ‡ you then ſearch out five unforeſeen and unthought-of events (to which I could add another very perfectly foreſeen and thoroughly underſtood) which fortunately occurred to prevent it. As I am no *malade imiginair* in politicks, and have no fears of thoſe § "convulſions, apoplexy, or "death," which have been ſo often predicted, I know not how to go ſeriouſly, againſt fact, into reaſoning upon them. That our trade has felt, on a great and ſudden ſhock, no ſuch convulſions or apoplexy, but that its productive powers continue to be actuated, and its circulation to run *in ſome*

* This is what, in *the adminiſtration of the Britiſh colonies*, Vol. I. C. VIII. I call creating and ſecuring "an encreaſing nation of appropriated cuſtomers;" which idea you, from that ſuperiority that ſpeaking *è cathedra* always inſpires, treat with ſovereign contempt; "it is, you ſay, a "project fit only for a nation of ſhop-keepers, governed by ſhop-keepers." This idea, however, upon the cloſeſt and ſtricteſt analyſis is the only one I can find preciſely to define the relation which a commercial country bears to its colonies, and to expreſs that inſtitution of policy, in our act of navigation, which you rather too lightly and too contemptuouſly call (p. 222.) "a truly "ſhop-keeper propoſal."

† Ibid. 215. ‡ P. 211. § P. 210.

other

other channels, though our American artery is obſtructed, proves, that this was not our principal, much leſs our ſole great channel of commerce; ſome part, perhaps great part, of our circulation paſſed through it into other remoter veſſels, which is now perhaps full as properly with more profit to the Britiſh merchant, poured through more direct channels. In ſhort, the whole ſtate of our trade, as it ſtands in fact, and is found in effect, is to me a proof in point againſt your caſe in theory.

" * The effect of the monopoly (you ſay) has been not to encreaſe the *quan-*
" *tity*, but to alter *the quality* of the manufactures of Great Britain, ſuited to
" a market from which the returns are ſlow," inſtead of keeping on in an old trade, " from which the returns are frequent."

If we conſider the effect which the opening a *new market under a monopoly*, or in *a free trade*, hath on a commercial country, we ſhall find, if it be a market which calls for ſome new aſſortment of manufactures of *a quality different* from the ordinary and accuſtomed ſort, in which that commercial country dealt before this new demand was opened, that *a free and open market*, into which the operations of a competition comes, *is more likely to alter the quality of the manufactures*, than where any commercial country poſſeſſes that market under a monopoly. In the former caſe they muſt watch and ſuit every call, every faſhion, and even caprice of their free cuſtomers; in the latter caſe they will oblige *their appropriated cuſtomers*, to take off ſuch goods as they pleaſe to ſend them, altho' the ſorts do not in quality entirely ſuit that market; they will under this monopoly, carry this ſo far as to drive the country, which is ſubject to the monopoly, into ſmuggling, not only on account of the price, *but merely to get goods of a quality which ſuits them.* Your great knowledge in the practick, as well as theoretick knowledge of our commerce, will be able to ſupply proofs of this fact from many revolutions of our manufactures in different periods of our commerce. It is not therefore *the effect of a monopoly*, ſo much as it would be *the effect of a free and open trade, to alter the quality* of the manufactures of Great Britain. We will then next enquire, *how this monopoly operates as to the increaſe or not of the quantity*. In the firſt ſtep we are agreed, that *this increaſing market of appropriated cuſtomers* doth at this one entrance *encreaſe the quantity* of manufactures demanded. Let us next enquire, how " the ſurplus produce
" of the colonies, which (you juſtly ſay †) is the *ſource of all that encreaſe of*
" *enjoyments and induſtry*, which Europe derives from the diſcovery and colo-
" nization of America," operates under a monopoly, or would operate under a free and open trade to encreaſe the quantity of Britiſh induſtry and manufactures. The articles of this produce are (it is needleſs to enquire how) become of accuſtomed demand in the markets of Europe, not only for its more pleaſurable enjoyment, but in the line of induſtry alſo. So far as Great Britain hath

* P. 216. † P. 193.

hath the monopoly of theſe articles, ſhe will become *a neceſſary trader* in theſe markets. She will not go to ſuch markets with theſe articles only; ſhe will make up a cargo with aſſortments of her manufactures alſo; the one will neceſſarily introduce the others; and if the firſt cannot be had without the latter it will introduce thoſe others, where, from the diſadvantages of a high ſcale of prices, they would not otherwiſe have been introduced; ſo that *our monopoly* of theſe American ſources of enjoyments and induſtry to the Europeans, *doth not only tend to encreaſe* the quantity of our induſtry and manufactures *partially, but abſolutely*. As they are interwoven with our general commerce, they do actually tend to introduce and carry on our commerce in our manufactures, even under thoſe diſadvantages, which you have deſcribed as the effects of the monopoly; this is one ground of that *aſcendancy in commerce*, which I rather referred to, than deſcribed as enjoyed by Great Britain.

As to the fact about the returns of capital, if you will compare notes between the merchant trading in Britiſh manufactures to Germany, and the merchant trading with Britiſh manufactures to America and the Weſt Indies, you will find the returns of the latter upon the whole (if theſe goods go no farther than North America, or our Weſt Indies) not ſlower than thoſe from Germany. Credit has, even before the preſent war, been extended in Germany, and ſhortened towards America: inquire after this fact in Norwich, London, and the other great manufacturing places, and you will find it ſo.

That the productive labour of Great Britain is kept down by the monopoly; that this monopoly prevents its affording revenue ſo much as it might; and that rent and wages are always leſs abundant than otherwiſe they would be, is a corollary of propoſitions neither proved by reaſoning nor eſtabliſhed by fact. That the monopoly, raiſing the rates of mercantile profit, diſcourages the improvement of land, is ſtill more aberrant from the line of reaſon, and more directly contrary to fact: the reaſon you give is, that the ſuperior profits made by trade will draw capital from improvements in land. It will ſo in the firſt inſtance; but as this encreaſing advanced intereſt of trade "conſtitutes a new "market for the produce of the land,' the rates of the price of the produce of the land will ſo riſe, and ſo raiſe the profits made by improvements, that, although at firſt, as I have ſhewn above, it ſuffers a relative depreſſion, the application of capital to it will of courſe and neceſſarily become a very advantageous employment of ſuch: but the new and daily encreaſing market of America, of which we have the monopoly, raiſing the rates of profit in trade, draws after it the daily aſcending rates of that land, which ſupplies this market and the workmen in it; and is the very thing coincident with a general proſperity, that hath given ſuch a ſpring to agriculture in this country.

When you ſay in another wreath of this corollary, that the high rates of profit neceſſarily keep up the high rate of intereſt, which *è contra* muſt lower the value of land. I anſwer, that the rate of intereſt does not neceſſarily depend

pend on the rates of profit made by money, but on the proportion of demand for the uſe of it to the quantity which, and the velocity with which, the *influx* of riches, in conſequence of an advancing mercantile proſperity, brings it into circulation. High profits themſelves will occaſion money to come in to the market which wants it; high profits, and an increaſing demand, will open and give birth to a ſecondary ſource by paper circulation: ſo that the major of your ſyllogiſm is not founded in reaſon; nor is the concluſion, that the natural encreaſe of rent, and the riſe in the value of land, is retarded by the effects of the monopoly, fact. I do here diſtinguiſh the effects of the monopoly from the effects of the trade itſelf: this, like all other advantageous applications of capital, where great mercantile profits are to be gotten, accelerates the riſe of the profits of trade faſter than thoſe of land; but thoſe of land are in the effect raiſed alſo by it; and although in a ſlower degree of velocity to that of the riſe of mercantile profit, *yet not in a retarded but accelerated velocity alſo.*

Upon the whole, I fully and perfectly agree with you, that any regulation which gives a *confined courſe of direction*, and keeps in that line of direction any operation, muſt check and deſtroy part of the *vis motrix*, with which the body moving would fly off in a *direct courſe*. Juſt as the central force, which confines any body to circulate round that center in any given orbit, doth check and diminiſh part of the projectile force with which it would have flown off from that orbit: So the monopoly, which requires the colony-trade to observe Great Britain as its center, doth certainly check and diminiſh part of that *commercial activity with which it is at all points in exertion to fly off in a tangent.* Although I agree in this truth, yet being taught to think, that all ſeparate communities, until ſome commercial millenium ſhall melt down all into one, muſt ever ſeek to give ſuch a ſpecifick direction to the operations of their own ſpecifick powers, as ſhall maintain the ſeparate and *relative ſtate* of exiſtence in which each community is placed; and knowing it to be an univerſal law of nature, that in any machine, part of the original *momentum* muſt always find itſelf diminiſhed in proportion as it becomes neceſſary to give a *ſpecifick direction* to its operation: So I conſider the loſing or leſſening part of the productive activity, which the culture and commerce of the colonies might give *in a direct line, that is, to the world at large*, but not to Great Britain eſpecially, as analogous to that law of nature; as the very eſſence of that combination of force, and conſequential ſpecifick direction, which confines it circulating in an orbit round Great Britain as its center; and as the preciſe ſtate of that theorem, which no politician in the one caſe, any more than any true mechanick in the other, would deny as untrue, or condemn as wrong.

I cannot therefore but remain, and do fancy, that every ſober man of buſineſs will remain in the perſuaſion and conviction, confirmed by experience,

 that

that while the monopoly of our colony trade gives as ſuch to Great Britain, in its *relative ſtate* of exiſtence in the world, a *relative advantage* in the commercial world; Great Britain doth not loſe unneceſſarily any abſolute advantage, nor doth ſubject itſelf to either abſolute or relative diſadvantage, in all other branches of commerce in which it hath not the monopoly: That it employs our capital, upon the ballance of the whole, to the greateſt advantage, and conſpires in the means, together with other branches of trade, of drawing forth our utmoſt productive induſtry: And that under the true ſyſtem of a monopoly, Great Britain might derive from the dominion which ſhe had in her colonies (of which dominion they were, in their due ſubordination, part) *force, revenue, and every commercial advantage.*

Theſe are the matters in which I think your book has erred. I have examined them with a view to ſuch diſcuſſion, as may occaſion a review of them; becauſe I do really think, that your book, if corrected on theſe points, planned and written as it is, might become an inſtitute, containing the *principia* of thoſe laws of motion, by which the ſyſtem of the human community is framed and doth act, AN INSTITUTE *of political œconomy*, ſuch as I could heartily wiſh, for the reaſons given at the beginning of this letter, that ſome underſtanding Tutor in our Univerſities would take up, as a baſis of lectures on this ſubject.

I ſhould here have proceeded to the conſideration of your plans of the ſyſtem, which you think Great Britain ſhould adopt in her future conduct towards America; but the preſent ſtate of events ſuſpends all political diſcuſſion on that head. If future events ſhall ever lay a rational, ſound and true ground of colonial government, the propoſing of ſuch may then be proper, and ſhall not be withheld. At preſent *jacta eſt alea*, the fate of this country is now at the hazard of events, which force, and not reaſon, is to decide. I am afraid we are reaſoning here about things which once were, and were moſt dear, but are no more.

I cannot conclude this letter without ſaying, that as I have impreſſed upon my mind the higheſt opinion of your abilities, learning, and knowledge, and think well of your fair intentions, I hope I have never deviated from the reſpect which is due to ſuch. I have taken pains to comprehend fully, and have meant to ſtate fairly, your reaſoning; and to propoſe my own, as I ought, with diffidence. If any expreſſion breaths the ſpirit of controverſy, inſtead of what I meant, fair diſcuſſion, I diſavow it; for although perſonally unknown to you, yet from what I learn of you by your works, I find myſelf in every ſentiment of reſpect and eſteem,

SIR,

Your moſt obedient,

And moſt humble Servant,

T. POWNALL.

RICHMOND,
Sept. 25, 1776.

FINIS.